The CREDIT WORLD

February, 1943

A country is great only when its conditions and institutions produce great men to manage its affairs

The CREDIT WORLD

L. S. CROWDER, EDITOR ☆ ARTHUR H. HERT, ASSOCIATE EDITOR

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OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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25 YEARS AGO *in the* CREDIT WORLD

"Food Will Win the War—Conservation is Imperative." So read the message on the cover of the February, 1918, issue of The CREDIT WORLD. This message might well be repeated on the cover of the February, 1943 issue, as 25 years later in the same month we begin food rationing. Let's go down on record now for the benefit of future readers of The CREDIT WORLD that this time, with this War, we will by crushing the enemy, forever call a halt to such emergency measures as food conservation and rationing.

* * *

"Cooperation" as the watchword and keynote of the Retail Credit Men's National Association (now N. R. C. A.) is brought out in Article 2, Section 3 of the Bylaws. A resolution interpreting this article was passed at a semi-annual meeting held at Chicago, in February, 1918, and was announced in this issue. Interesting to note that today the policy of "Cooperation" still exists in our great National Organization.

* * *

From the "Retail Credit Ledger" published by the Minneapolis Credit Men, are reproduced extracts of a very fine article entitled "The Credit Man's I. O. U.—Is It Good?" It points out the obligations of one credit man to another, honesty, strictest confidence and reciprocity being the least of them.

* * *

Particularly effective must have been the address before the Commercial Credit Class of St. Louis on January 21, 1918, given by D. J. Woodlock, and included in this issue. Reading over old articles in The CREDIT WORLD we have come to one conclusion: Times change but credit granting is essentially the same.

* * *

In "Abstracts of an Address 'Business and the Man' by Stewart Anderson" this worth-while thought appears: "In every man is the seed of success, and he who has a strong desire to succeed and the will to back up his desire, can defy event and environment and wring success from apparent overwhelming adverse conditions."

* * *

Officers during the year 1917-1918 were: President, W. H. J. Taylor, Credit Manager, Franklin Simon & Co., New York City; First Vice-President, L. S. Crowder, Credit Manager, W. A. Green Co., Dallas, Texas; Second Vice-President, B. G. Voigt, Secretary, California Furniture Co., Los Angeles, Calif.; Secretary, A. J. Kruse, Supt., Associated Retail Credit Men and Credit Bureau, St. Louis, Mo.; and Treasurer, W. R. Bryan, Credit Manager, H. P. Selman & Co., Louisville, Ky.

* * *

We come to the end of this interesting issue where we are once again reminded of the food situation by a published statement of the United States Food Administration. And not to be neglected is the mention of income taxes—22 questions and answers on Page 8 and a notice to pay taxes promptly on the inside back cover. We can never forget! A. H. H.

The *Pay-As-You-Go* INCOME TAX PLAN

Beardsley Ruml

Chairman, Federal Reserve Bank of New York
Treasurer, R. H. Macy & Company, New York City

A NEW LEGISLATIVE YEAR has just begun, a new Congress takes up new and unfinished legislative business, and a new opportunity is presented to correct an old defect in our income tax procedure, a defect which has now had the result of putting 27,000,000 income-tax payers in debt for the tax on their last year's income.

When the federal income tax bill was passed in this country in 1913, it had a defect which at the time seemed of no practical consequence but which has since come to have the greatest importance. This defect was that a citizen was required to pay in the year 1914 a tax on his 1913 income. In this way, we got started on a vicious practice of paying out of one year's income a tax on the year that had already gone.

I have said that at the time this defect seemed of no practical consequence. The reason is that income tax rates were low and affected comparatively few people. In 1913 the rates began at 1 per cent and the top, (normal plus surtax) was 7 per cent. Exemption for a single person was $3,000. Contrast this situation with that which confronts us in the Revenue Act of 1942.

Consequences of Increasing Rates

The consequence of these increasing rates is that the debt which people owe to the federal government for tax on their last year's income has become a national danger. Nothing is to be gained by arguing that people *ought* to have saved the tax on last year's income out of last year's income. The fact is that they did not do it and now they cannot do it.

Statistics showing large increases in aggregate net savings during the past year give cold statistical comfort to the majority of income-tax payers. These savings have gone to liquidate old debts, to provide circulating medium needed by a vastly expanded and a more mobile working population, to cushion the shock of sudden economic reverses, to buy war bonds as a foundation for a normal peacetime life. Only a small portion indeed has been earmarked for taxes on the income of 1942, earmarked so tightly that it will be at hand to permit two years' taxes to be paid in the one year of 1943, or even to permit one year's payment if 1943 income should for some reason stop. Evidence on this point is everywhere at hand and each can judge by his own experience and by questioning others. The Gallup poll of November 16, 1942, showed 75 per cent are not saving for income tax and 71 per cent underestimated the tax they would have to pay. No substantial portion of the tax on 1942 incomes has been accrued by individual taxpayers in a form either intended or available today to meet the tax debt on 1942, and it would come as a shock to the public if Congress should require that the 1942 tax be paid concurrently with the income tax on the income of 1943.

The fact is that few people seem to realize how much money they owe the government for income tax. They seem to feel that since they have paid an instalment on December 15, and since the next payment isn't due until next March, for the time being at least, they are not in debt for income tax. They are wrong. They are in debt now for income tax on what they earned last year. Under our present system this debt will have to be paid whether this year they have any income or not.

If they die, this amount will be taken from whatever estate they leave. If they lose their jobs, there will be a charge against what they have saved. If their earnings are less, the full tax must be met out of the lower earnings. Nothing can stop the march of the days, and when the due date comes they must pay the tax they owe on the income they have already had. It is a real debt, and practically all income-tax payers are actually in debt *continuously* for about one year's full income tax.

Purposes of Income Tax Reform

There are two broad purposes for reforming our historic income tax practice in order to place our income taxes on a current basis and to eliminate the accumulated income-tax debt. The first purpose relates to the financing of the war, to the reduction of potentially inflationary purchasing power, and to the preservation of the integrity of our income-tax system through obtaining the highest possible level of collections and the lowest possible level of defaults. The second purpose springs from the personal and humane desirability of removing from millions of citizens the constant threat of unpaid tax debt, a debt imposed under a faulty tax system, unwittingly unprovided for by our citizens, a debt now grown so large under present tax rates that loss of current income for

any reason by the individual taxpayer brings acute financial and personal distress.

The first purpose, that of financing the war and maintaining the integrity of the income-tax system, appeals powerfully to all students of taxation, in and out of the government. They are well aware that the economic well-being of the country will be safeguarded by collecting the taxes on our rising 1943 income in 1943 and not a year later in 1944. They are also aware of the probability that it will be necessary to supplement the present tax program with a program of compulsory savings, and that the program too must be related to the current income of the citizen.

These authorities are also apprehensive about income-tax collections and default. Can we expect ten million new taxpayers to make declarations and begin to pay income tax under the old scheme on what they earned last year? Can we expect these new taxpayers, or even the old ones, to keep up their payments for tax on their last year's income at present rates if their current income should slacken or abruptly cease? How would the defaults be handled? Would the federal government seize their savings, their war bonds, and their homes?

All these considerations force the placing of income taxes on a current basis and at once, even if there were no personal or humane reasons for doing so. But it is impossible to get on a current basis without eliminating the tax debt on 1942 incomes. No current program, whether it be withholding, compulsory savings, or spending tax, can be applied at the rates necessary as long as the 1942 tax debt is also simultaneously payable. There is no escaping the conclusion that the income tax on 1942 incomes must be either dropped or deferred.

Second Purpose

The second broad purpose for this income-tax reform rests on personal and humane grounds. On the first of January under our present system some 27,000,000 citizens will be in debt to the federal government for income tax. If we estimate two persons back of each taxpayer, we have 80,000,000 people involved in the hazard of income-tax debt. It is inevitable that every year, even in 1943, some small percentage of our taxpayers will suffer loss of income from one or another cause. Even if as few as 4 per cent were so affected, this would mean more than a million taxpayers in trouble because of income-tax debt. What are the reasons that might make for lower current income for the individual income-tax payer? Men are called into the armed services, others go into government work at lower pay, men and women are displaced from peacetime industry by wartime dislocation, some suffer sickness and accident, others must retire because of advancing years. All of these find that now with the new high tax rates their income-tax debt becomes an intolerable hardship, wiping out savings that have been accumulated over the years. And for the hundreds of thousands that have already been injured, millions of us are in danger, because we are each subject to the same hazards and the same inevitable loss of income.

The present system is a bad system for all of us, and it should and can be corrected. It is clear that the government cannot continue for long to be the creditor of some 27,000,000 taxpayers and their families in debt for income tax, particularly when there is no substantial question of revenue involved in skipping a year and getting the whole country on a current pay-as-you-go basis.

In order to accomplish this desirable objective of getting our income taxes on a current basis, I suggested to the Treasury in March of last year and to the Senate Finance Committee in July a plan which I called the Pay-As-You-Go income tax plan. This plan is to be applied to individuals, not to corporations. Since then there has been a great deal of discussion, many suggestions and a little criticism.

I welcome this opportunity to make a statement about the plan which will bring it up to date, adding to and modifying the original plan in the light of the suggestions and criticisms which I have received.

Correcting a Difficult Problem

The first problem is how to get our personal income taxes on a current basis without paying two years' taxes in one year. The answer is as simple as daylight saving. Let us turn our tax clocks ahead one year. The taxes we have paid last year out of our 1942 incomes are taxes on our incomes received in 1941. We can best solve the problem now by recognizing these 1942 payments to be taxes on 1941 as they really are; and by beginning 1943 by paying on 1943, thereby dropping out the year 1942 from the tax calendar forever.

In my original testimony before the Senate Finance Committee, I suggested dropping out 1941, but the Treasury preferred that if any year was to be dropped, it should be 1942. Now that 1943 has already begun it is clear that the Treasury is right, and that 1942 would be a better year to skip. It is unfortunate that action could not have been taken in time to make practical the skipping of 1941. The year 1941 would have been a much better year to be skipped for many income-tax payers who are serving the people of the United States in the armed forces or in the federal civil service. Perhaps some method can be worked out to give them the choice of 1941 or 1942. I hope that this can be done.

The question arises at once in everyone's mind, how can we drop an income-tax year out of the calendar in this way without having the Treasury lose a lot of money that is badly needed for the war effort? The answer is that we shall all go along paying our income taxes as we have before, only they will be on a current basis. The Treasury will also go along getting its revenues. The only difference is that when a taxpayer dies or ceases to receive income he will not owe income tax as he does under the present system. Reduction of tax payment by the taxpayer as a result of setting the tax clock ahead occurs only at some future date, when and as the taxpayer's income ceases or declines. The reduction is therefore spread over the whole lifetime of the present income-tax paying generation, and occurs beneficially for each taxpayer at the time when his income fails. As for the Treasury, they have never considered taxes receivable as an asset, and accordingly they can be written off the balance sheet of the government without the change of a single penny.

If we study the consequences of the plan over the generation we find that since the loss would be spread

(Turn to "Pay-As-You-Go," page 20.)

What –

Is the Most Important Credit Problem for 1943?

(Continued from January Credit World)

Opinions of Store Executives

So long as the war lasts, our Government will do everything possible to freeze purchasing power, not only in order to balance demand with production, and thereby neutralize inflationary tendencies, but so that every ounce of effort in America may be diverted to the war effort. Restriction upon the extension of credit is, of course, one of the vehicles which will be used. This, naturally, must result in a different approach by credit men to the fulfillment of their respective responsibilities. Freezing of accounts on which balances are not paid by the 10th of the month following, simplifies collections. On the other hand, it also may serve as a discouragement to potential credit customers to utilize the vehicle of credit in the fulfillment of their needs, and many of them may turn to the policy of buying for cash. When the war ends, and it is possible that this may occur in the year 1943, the general public will rebel against many of the controls which they now accept, and orthodox methods of doing business will again be practiced. Full use of credit will again be popular, and particularly so if, in the adjustment period, the degree of employment which now exists becomes less. Looking forward to that day, it would seem to me that one of the most important responsibilities of a credit man today is to retain the good will of his credit customers, and to maintain a contact with them which will prevent many of them from drifting away, not only to other institutions but to other methods of doing business. In view of the fact that the Government, rather than the individual credit manager, today, has prescribed more or less uniform terms, the credit executive and credit organization approaching their responsibilities with diplomacy and tact will develop a relationship with the public which will prove of great value later on. Credit granters must look to the future, as well as devote their attention and their thought to day-to-day promotion of credit. The short range view must not subjugate the long range outlook, otherwise present adjustments in credit management will result in a permanent dislocation.—Sidney R. Baer, Vice-President and Treasurer, Stix, Baer and Fuller, St. Louis, Mo.

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In our opinion, the most pressing credit problem for 1943 continues to be the same as that of recent years, although the effect is exaggerated by manpower shortages and loss of volume in credit reporting agencies. This problem is the acquisition of accurate and dependable information upon which to base the consideration of credit extension. The credit bureaus are making no progress in meeting the increased responsibilities attached to the tremendous shift in population and change in employment.—Sewell Avery, President, Montgomery Ward & Company, Chicago, Ill.

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The most important credit problem for 1943 is the analysis, discussion and planning for the future of Regulation W. In 1942, it performed its task well; it played its part in the liquidation of consumer debt; and for the merchant, it put dollars from accounts into inventory, and thence into cash. For 1943, however, we must plan for the reversal of Regulation W, for the day when it will again fertilize the field of credit, and aid in national employment through the flow of merchandise. Let us learn to look upon Regulation W as an economic, not as a moral, force, but learn to control its power so that it will aid to rebuild our economy after victory is won.—Louis S. Bing, Bing Furniture Co., Cleveland, Ohio.

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In my opinion there is no problem but there is an important job to do. After completely disregarding the immediate interests of your business and ours, I believe we should all put our shoulders behind the pendulum now swinging in the right direction, and be sure that before this era is past, retail business is operating on the shortest possible credit terms. This would provide fortification necessary for tougher times ahead.—C. N. Chubb, Store Manager, Hudson's Bay Company, Edmonton, Alberta, Canada.

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There are three important problems confronting the credit granter in 1943, the relative importance of which will vary with circumstances:

1. To what extent should credit be granted to war workers, the tenure of whose income at present levels is doubtful and who are accustomed to paying cash?
2. How and to what extent should credit shrinkage be applied to those who were formerly good credit risks but whose businesses and income have been adversely affected by present conditions?
3. The problem of training and replacement of competent credit men.—Frederick D. Corley, President, Marshall Field & Company, Chicago, Ill.

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Clear the decks for action during 1943 and eliminate wasteful operations within the credit department. Place more responsibilities on the female members of the staff. They will accept the job with pleasure. Finally, do not remove credit sales promotion from your budget. Keep in touch with your customers. This war will not last forever, and we of the United Nations will win.—John A. Hendry, Secretary, Jas. A. Ogilvy's Ltd., Montreal, Canada.

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Judging by the problems of the past year, I believe that one of the most important credit problems for 1943 will be the matter of finding personnel and the machinery to handle credit business, assuming there is still merchandise available. However, we do have a new problem which will be increasingly important next year. There is suddenly coming into being a class of people making more money than they ever made before, who were formerly careless about their credit standing and not inclined to be thrifty. Credit will come so quickly to these people that it will be taken as a matter of course and not considered very important. This is the buying class in America today and it behooves every credit executive to watch carefully this type of account and see that it does not become over-extended or very delinquent.—W. A. Green, Jr., President, W. A. Green Company, Dallas, Texas.

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The 1943 credit problem is the "skip" or lost customer. First, the fighting man who has been transferred or shipped to station X. Second, the defense worker or civil service worker who has left his home community for the duration.—W. S. Holman, Manager, G. A. Stowers Furniture Co., San Antonio, Texas.

Credit problems for 1943 have been greatly simplified; that is, Regulation W has vastly improved the whole credit situation so there is really only one major problem—that of personnel. I know of no department in the business where response to increased demands because of reduced personnel has been more generous than on the part of the credit department personnel, and I believe this is typical of all credit departments in department stores. The year 1943 is likely to see a further reduction in credit personnel due to the draft and to the inability to replace a normal contingent who leave because of marriage, change of address, etc. Short cuts may have to be found in the collection procedures for delinquent accounts which must not be neglected even though Uncle Sam has taken a hand in lessening the number of them.—Jay Iglauer, Vice-President-Treasurer, The Halle Bros. Co., Cleveland, Ohio.

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The most important credit problem confronting the credit granter for 1943 is keeping current his thirty-day accounts receivable. Quicker action must be taken by the credit granter when these accounts are past due.—J. G. McBride, Controller, Geo. Innes Co., Wichita, Kan.

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The most important credit problem as we see it for 1943 for a store of our kind is how to maintain our credit position in the community under wartime conditions, such as will confront us during the forthcoming year. This in turn breaks down into several component parts:

First, how we can adequately promote the credit end of our business to try to maintain credit volume and still conform to Regulation W. This will call for unusual initiative and alertness but definitely it can be done. It just seems to us to be another case of the old saying 'find something that can't be done, and then find someone who can do it.' According to our way of thinking, this can be accomplished only through the combined efforts of everyone in a store's credit department and through doing a succession of things. Among them are:

(a) A more careful check-up on current accounts to keep them from becoming frozen;

(b) prompt and intelligent methods in dealing with the ones that have become frozen, so that with a minimum of delay they are available for use again;

(c) with the great shift of population which is going on, due to the war effort, make every effort to secure the greatest amount of accounts from new people moving into the community. One way this can be done is through advertising—to offset any impression that may exist—that new accounts cannot be obtained, and that the Government frowns on all credit business. With this thought in mind we recently inserted an ad in our local newspapers to the effect that a charge account might be opened by mail. This was most productive, and seems to indicate to us that there is a reservoir of credit business which needs to be tapped.

Second, the proper granting of credit to men subject to the Selective Service Law because of the Soldiers' and Sailors' Civil Relief Act. In this case it is still possible for stores to do a large amount of business with the men in Service, or about to be inducted, if the credit department is alert in securing the necessary guarantees. Many of those men are members of families who have other sources of income and are anxious to keep their credit in good standing while the men are away. There is a big educational campaign to be done to make it clear that when these men return they will need credit again and, hence, the importance of discharging all obligations honorably.

Third, credit men will have to cope sensibly with the mounting operating costs in percentage to sales on account of the reduction of credit business; and a parallel problem is the difficulty of obtaining trained personnel which, of course, will increase as we become more involved in the war effort. Both of these problems can be met by finding short cuts and new ways of doing things. Most certainly "necessity is the mother of invention"—and we have already discovered a number of practices, accumulated during the past years, which really come under the heading of "red tape" or unnecessary operations. These must now be eliminated.

For years many of us have been spoiled by pushing too many buttons when we want to learn something, instead of digging out the information ourselves. In 1943 we will necessarily see a reduction in brass hats and more actual elbow grease on the part of people who are worthy of qualifying for the title of executive. In other words, credit departments must be streamlined in operation for the duration. Do it now—don't wait until necessity forces you to do it.—Arthur C. Kaufmann, Executive Head, Gimbel Brothers, Philadelphia, Pa.

The gravest problem confronting retail credit granters is the transition period from war to peace. With its attendant problems of dislocation and large number of unemployed, this period is not likely to come during 1943.—George E. Merrifield, Vice-President and Treasurer, The Higbee Co., Cleveland, Ohio.

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These are the most important credit problems for 1943: (a) The importance of selecting new credit risks, particularly with those individuals who are temporarily in an earning bracket far beyond their previous earning ability. Close attention should be given those accounts, so that they will be kept paid, and the total amount of indebtedness should not be extended beyond possibilities and intention of payment; (b) On existing accounts, where present earnings are temporarily increased, the credit limit should be restricted within reasonable bounds; (c) The possibility must always be considered of these excessive earnings being curtailed abruptly with no notification in advance, and the subsequent inability of creditors to meet their existing obligations.—Fred Lazarus, Jr., Vice-President, The F. & R. Lazarus & Co., Columbus, Ohio.

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The most important credit problem facing us during the coming year is that of personnel below the top people in the department.—V. A. Newman, Treasurer, Woolf Brothers, Kansas City, Mo.

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Men are enlisting, being drafted and moved from one place to another, some eventually out of the country, and the problem of handling the credits involved is becoming more difficult as time goes on. If the order should come for freezing credits for men in the services, this, too, will be another credit problem we will have to face.—G. S. Murray, Vice-President, Murphy-Gamble, Ltd., Ottawa, Ontario, Canada.

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We will be confronted with the credit situation of the wife of a man who has been called into the service, and who will still wish to retain her account (a case of curtailing the amount of credit previously allowed); with the war worker who is making considerably more money than he would be making under normal conditions; and with the possibility of war work being completely stopped for a considerable length of time, due to the change-over in factories. It would be a matter of making payment adjustments until the customer can pay up the account.—Edward Schreiber, Schreiber & Miller Furn. Co., Galveston, Texas.

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Considering everything that has happened to consumer credit in the past 12 months, and the great number of people who have been called into this field of activity, it would seem that there was never a greater need for training than now. We should have many classes formed all over the country, beginning the first of the year, to study retail credit fundamentals, with two or three lectures devoted to the handling of credit under Regulation W. I think that much could be accomplished toward increasing the efficiency of new employees in credit departments through this endeavor to the mutual benefit of these employees and the firms by which they are employed.—Robert A. Ross, Store Manager, Neiman-Marcus, Dallas, Texas.

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The credit problem for 1943 is to keep the government, through the Federal Reserve Bank, from putting any further restrictions on retail credit. If all credit executives can accomplish this during the coming year, we will have accomplished a lot.—E. P. Simmons, President, Sanger Brothers, Dallas, Texas.

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The two most important credit problems will be the proper handling of accounts of men now in service, under the Soldiers' and Sailors' Civil Relief Act, and keeping contact with debtors now employed in war plants, who are subject to removal to other parts of the country under the new administration man power setup. In our area we have a new population of almost 100,000 people with many new accounts of people from distant parts of the country, and if proper credit information has not been obtainable it is sometimes very difficult to locate workers when they resign or transfer from local plants.—C. B. Walter, Secretary, Duff & Repp Furniture Co., Kansas City, Mo.

Opinions of Credit Executives

Important credit and collection problems for 1943 involve migration of war workers and those in or eligible for military services, plus other factors affecting military collections such as the Civil Relief Act. Collections will also be affected by reduced customer paying ability in 1943 due to higher taxes, living costs, War Bond purchases and possible compulsory savings. The effect of a sudden unexpected conclusion of the war in Europe in 1943 should not be left out of calculations nor should current credit post-war planning.—W. H. Baldwin, Manager, Credits, U. S. and Canada, General Motors Acceptance Corporation, New York, N. Y.

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During 1943 we shall have to carry on as near to the present normal as possible. Looking forward to the post-war period when business will again be open to an expansion such as selling refrigerators, autos and all types of electrical appliances, etc., we should all keep our hand firmly on the throttle and brakes, which will prevent an overexpansion of credit. —E. K. Barnes, Vice-President, First National Bank, Spokane, Wash.

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The outstanding problem to be faced in 1943 is the undermining of the credit structure. Termites are working, and the problem is intensified by the circulation of enormous war funds. We are losing sight of the fact that this prosperity is artificial and temporary, and are disregarding sound practice for volume. The erroneous theory is prevalent that as large down payments are easily obtainable, a credit report on the applicant is unnecessary. If this practice is continued, the results are inevitable. A conservative policy based upon sound practice is the answer.—Frank Batty, Credit Manager, Hale Brothers, San Francisco, Calif.

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Extension of credit is our most important credit problem at the present time. Many of our people are employed in defense work and no one can tell how long they will be employed.—Wm. Boileau, Credit Manager, Rhodes Bros., Tacoma, Wash.

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The problem for 1943 is the ability of the credit manager to work with the directing head of his business in being adaptable to very fast changes in store credit policy. It is not likely that the same policies in extending credit, collecting accounts, bookkeeping and personnel training will carry us through. Constant factual surveys should be made and acted on. Credit bureaus and collection departments with strong support and cooperation are vitally important.—J. A. Carney, Manager of Credit Sales, Pollock Stores Co., Fort Smith, Ark.

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Again the problem is to retain control of the account. To keep pace with the rapidly changing employment conditions of so many customers will prove to be our big headache as soon as the duration ends. Accounts will be owing; customers will have moved; and the war plants closed. Information on credit applications will be of little or no value.—W. G. Cassmeyer, Credit Manager, Merchants Ice & Coal Co., St. Louis, Mo.

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In 1943 the credit granter must face the complex problem of contemplating and contending with the myriad new conditions created by our global war. He must repeatedly analyze and appraise the ever changing effects of the military and man power draft, the Soldiers' and Sailors' Civil Relief Act, Regulation W, the change-over to war production and the host of other such phenomena. He must demonstrate his ability to navigate safely through present stormy waters and be ready for new problems in the post-war period.—H. H. Christensen, Assistant Vice-President, American Trust Company, San Francisco, Calif.

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Much hard work and additional expense are required in complying with Regulation W. Also, many former low wage earners are now making more money than ever before. Due to these facts, there is a tendency on the part of credit departments to permit unfrozen accounts to become overloaded. One of the chief problems is to see that such accounts are held in check.—J. R. Clark, Credit Manager, Monnig's, Fort Worth, Texas.

The retail credit granter will be confronted with many new problems in 1943 but the most important are: 1. An individual's tendency to assume credit obligations beyond his limit to pay. This will be brought about by his failure to take into account the additional obligations in 1943, such as, increased taxes, compulsory savings, War Bond purchases and rising living costs; and 2. Obtaining and keeping competent personnel, regular and contingent. Extra employees will be difficult to get when needed for one or two days a week.—J. Allen Dunn, Credit Manager, Sears Roebuck and Company, Toledo, Ohio.

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The tendency to overbuy will be the 1943 credit problem. Regulation W has helped us in many ways to solve our credit and collection problems. Should the war terminate in 1943, we will then have an additional problem of locating many of our creditors. —I. W. Crump, Sydnor & Hundley, Richmond, Va.

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The most important credit problem confronting the credit granter for 1943 is the rising tide of bureaucratic devaluation of both money and credit. Soon it will not make any difference how good a man's credit is or how much money he has in his pocket as he will not be permitted to buy even the necessities of life unless he holds a ration or priority ticket issued by an appointed political bureaucrat. Our problem is immediately to organize to stop this destruction of America, because if it is not stopped there will cease to be any credit.—Lloyd B. Ferrell, Vice-President, The Southwest National Bank, Wichita, Kan.

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The most important credit problems for 1943 are: 1. Take complete credit applications; 2. Always secure credit reports; and 3. Be governed by common sense. —Byron De Forest, Manager, Great Falls Credit Exchange, Great Falls, Mont.

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Keeping the customer "open to buy" is the most important credit problem for 1943, and for as long as we operate under Regulation W. Every member of the credit department should realize that a frozen account can do business only with the store on a cash basis and that considerable sales volume is lost while accounts are frozen. This means a better program of customer education, particularly by the credit interviewer and the collection department in order to minimize the number of defaulted accounts.—Frank D. Francis, Credit Sales Manager, The Emporium, San Francisco, Calif.

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Regulation W has greatly accelerated collection turnover, but what about accounts that remain frozen? I believe that the major credit problem in 1943 will be to prevent an accumulation of such accounts and to push collection of them most vigorously. Everyone has money now, but there is no certainty that this condition will continue through next year. The time to get money is when our customers have it—not after it is all spent.—W. C. Durham, Credit Manager, R. E. Kennington Co., Jackson, Miss.

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The most important credit problem confronting the credit granter during 1943 is the shifting population. Our problem has been the customers coming from other states eager to get established. Naturally, we are anxious to do business with them but we have had trouble with their moving from our city and going to other defense areas before their accounts are paid up, which means a loss. Persons of military age, single and married, are a problem. They are classified as 3A and before long we find them reclassified in 1A. Collections cannot be enforced then.—Miss Bessie Frohmader, Credit Manager, Eastern Outfitting Co., Tacoma, Wash.

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The most important thing that should be considered now, both by the National Association and the individual credit executive, is to get a movement under way to have Regulation W adopted as a permanent law because if the war should end suddenly, credit terms and conditions would be worse than before.—Hubert Fielder, Credit Manager, D. H. Holmes Co., New Orleans, La.

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It is only natural that in time of war, the entire country goes to the extreme in various ways. When our country first declared war, charge business showed a considerable decrease; however, Regulation W caused a much sharper decrease. We still have these questions before us: Who will be drafted into the services of our country? Will men be called who have two or even three dependents? Charge business is largely made up

of the working class of people who live from one pay day to another and do not have surplus capital to meet obligations when their pay stops. Shall we continue to grant credit to men who have 3A classifications, but who will probably have 1A classifications within the next six months?—Mrs. Virginia Hearn, Credit Manager, The Hub, Wichita Falls, Texas.

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The most important credit problem for 1943 is obtaining credit information. Because of labor shortages and other delays, bureaus are swamped with requests for credit information. General shifting of employees, draft classifications, length of the war, and strict collection follow-ups are credit problems. Credit terms seem sound at present. However, we are granting credit on a powder keg and there could be an explosion later. It's up to credit granters to weed out the explosives.—Porter L. Hall, Credit Manager, The Jones Store Co., Kansas City, Mo.

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The most important credit problems confronting the credit granter for 1943 are: to comply with Regulation W, to maintain an efficient personnel, delivery, transportation and other service items; prompt collection of accounts in default; and location of skips by cooperation with the local credit bureau. All past-due accounts should be promptly turned over to the collection department of the credit bureau, because any debtor who will not pay now while employment is plentiful will in all probability never pay. Then too, all applicants for credit should be cleared through the credit bureau at all times.—J. D. Henderson, Manager, Credit Sales, Mayer Israel's, New Orleans, La.

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The most important credit problem to think about for 1943 is the responsibility we take in continuing to sell accounts on our books where the husband has gone to the army and the wife has started to work. The question is whether we should continue to sell them and if so, in what amounts? Another problem of great importance in 1942 which will continue in 1943 is the control of credit extended to defense workers. It is one question to which we must give much thought.—Z. M. Hawk, Manager, Department of New Accounts and Club Plan Purchases, Sanger Brothers, Dallas, Texas.

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The most important problem confronting the credit granter for 1943 is to keep the charge customer charging in order to sustain and maintain the charge volume necessary for the profitable conduct of a business. A charge customer on a cash basis becomes anyone's customer. When he is served through the use of one of our accounts, he is our account. In the past, we have permitted increased taxation, draftees, enlistments and other contributing war factors to become problems. All have been worthy of our consideration. Properly controlled, they have not become credit problems. With the same control they will not become problems.—Herbert N. Johnson, Credit Sales Manager, Klein's, Peoria, Ill.

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The greatest problem facing credit granters in 1943 will be to prevent additional losses in credit sales. Due to government restrictions placed on accounts, many more customers may get the habit of paying cash, resulting in increased losses in credit sales. Habit has much to do with our everyday lives. We will have to give more thought than ever before to inactive accounts.—H. P. Huff, Secretary-Credit Manager, The White House, El Paso, Texas.

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In view of the fact that most of the single men have already been drafted and, no doubt, during 1943 a great number of married men will be called to the colors, it is of utmost importance to keep a careful check on accounts that are being opened as well as to watch balances on individual accounts. Up to the present time it has been an easy problem, because single men in very few instances have had accounts, but it would definitely affect a great number of our accounts as soon as men are drafted who have been married for some time. This is of utmost importance because our collection problem during 1942 was greatly lessened on account of government regulations.—Erwin Kant, Credit Manager, Ed. Schuster & Co. Inc., Milwaukee, Wis.

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The most important credit problem confronting the credit granter for 1943 is the man-power problem; how to get and keep a competent credit personnel, skillful, interested, enthusiastic, able to administrate a regulated and diminishing credit, with scarce merchandise, to a prosperous, irritable, and newly rich public; without loss of money or customers should the war end tomorrow; and be able to suddenly triple volume without loss of competence.—Alex J. Jex, Secretary-Manager, Peoples Finance & Thrift Company, Salt Lake City, Utah.

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Some of the vital problems credit granters must meet in this transitional period are: possibility of further serious curbing of credit; educating the consumer regarding Regulation W; and constructive collections in the face of increased taxes and transient customers. The paramount problem for 1943 is coping with the Soldiers' and Sailors' Civil Relief Act. Who can evaluate what draft selections and new amendments will bring? Greatest caution must be taken or else frozen accounts and depreciated merchandise will result.—Stella Murphy, Credit Manager, Citizens Savings & Loan Corp., Chattanooga, Tenn.

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At the top of the list of 1943 credit problems will be the effect of income and victory tax on credit sales volume and collections next year. Not four out of five people, as yet, have any conception of the amount of taxes to be taken out of 1943 income, nor have they made any provision for payment of 1942 taxes. This means that in March either collections will slow up or sales fall off. The same condition will prevail in June, September and December.—William J. Kirby, Credit Manager, Gilchrist's, Boston, Mass.

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The biggest problem for 1943 will be the survival of the credit system itself, in the face of such discouraging factors as disappearance of many items from the consumer market, increased rationing, restricted inventories, credit regulations, and crushing taxes which will drain purchasing power. The operating picture will be complicated by increased expenses, lack of new physical equipment, and loss of personnel to the armed forces and war industries. The conscription of married men and larger casualty lists are likely to increase our credit losses. An optimistic long-range point of view and recognition of the great need for preserving our excellent consumer credit structure will help to carry us through until victory is achieved.—R. M. Severa, Cash-Time Manager, R. H. Macy & Co. Inc., New York, N. Y.

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The most important credit problem confronting the credit granter of 1943 is that of increasing the number of accounts and at the same time stopping the rapidly decreasing accounts receivable. We must use all means available to obtain new accounts and retain old ones.—K. E. Lamblin, Credit Manager, Banner-Whitehill, Muncie, Ind.

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The problem for 1943 is keeping in touch with customers who move away. Outside agencies, in distant cities, short on transportation and help, operate at a disadvantage in collecting these accounts. Many customers are going into defense jobs. Others, being drafted, will have, and deservedly so, the protection of the Soldiers' and Sailors' Civil Relief Act. While customers are in the service, the credit granter will wish to keep the current addresses of their families. The acute nature of this problem is evident.—G. Griff Smith, Credit Manager, Hammond-Brown-Jennings, Spartanburg, S. C.

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The most important credit problem for 1943 will be reduced income due to taxes and increased cost of living. Many persons are now committed to the limit of their ability to pay, and with less net income it behooves us to know his present outstanding accounts and determine how much more the customer can safely assume. The local credit bureau should be called on all cases, to clear every store on their records in order to obtain this vital information.—C. P. Lewisson, Credit Manager, Kennedy's, Boston, Mass.

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Consumer education is the most important retail credit problem for 1943. If retailers are either confused by or improperly informed on so many Government regulations, then certainly the public is doubly confused. It is the credit man's personal responsibility, therefore, to educate the consuming public of the availability of credit despite curtailments and restrictions. Also, it is only proper that the credit department take the lead in educating the consumer along lines that will promote business and good will.—Jos. A. White, Vice-President, Harris Stores Co., Pittsburgh, Pa.

CREDIT DEPARTMENT LETTERS

• Aline E. Hower

THIS MONTH, for variety, we are submitting a quiz for secretaries, which might be interesting to the correspondents as well.

1. How would you address a letter to the President of the United States?

2. To the Chief Justice of the Supreme Court?

3. To an American Ambassador?

4. Should you correct your employer's dictated letter without his permission? Even when you know that he is wrong?

5. Do you treat office affairs as confidential?

6. Can you take criticism gracefully and without becoming ruffled?

7. When are figures spelled out in the text?

8. In typing, how should one divide words?

9. Is it permissible to use figures even down to 4 or 5?

Answers

1. The President
   The White House
   Washington, D. C.

   Sir: (Formal)
   My dear Mr. President: (Informal)

2. The Chief Justice
   The Supreme Court
   Washington, D. C.

   Sir: (Formal)
   My dear Mr. Chief Justice: (Informal)

3. The Honorable
   Name
   American Ambassador
   City and Country

   Sir: (Formal)
   My dear Mr. Ambassador: (Informal)

4. If you find a mistake in dictation, and you have not been instructed to make corrections, your employer will appreciate your calling it to his attention before making any changes.

5. To be fair to your employer keep his business confidential. Your friends are not interested in your business affairs and perhaps may be bored with shop talk. For yourself, it is better to leave your business thoughts at the office.

6. Without criticism we might never improve. Take it gratefully. The criticizer often has valuable information.

7. Numbers at the beginning of sentences are spelled out. If there is any possibility of confusion when 2 numbers are written together, it is better to spell out one of the numbers.

8. Words should be divided at syllables, with the hyphen at the end of the line and not before the part of the word starting the next line.

9. Yes, there is a growing use of numerals.

This Month's Illustrations

Illustration No. 1, by Mr. T. S. Orun, Credit Manager, Dewees, Philadelphia, has a friendly tone from start to finish. It endeavors to explain the Government regulation in an impersonal manner. Notice the approval expressed in the last sentence, in the words "customary excellent standing."

Illustration No. 2, comes from the George Muse Clothing Co., Atlanta, Georgia. It is well worded and to the point. Everyone likes to buy where he feels he is welcome and where he will be well served.

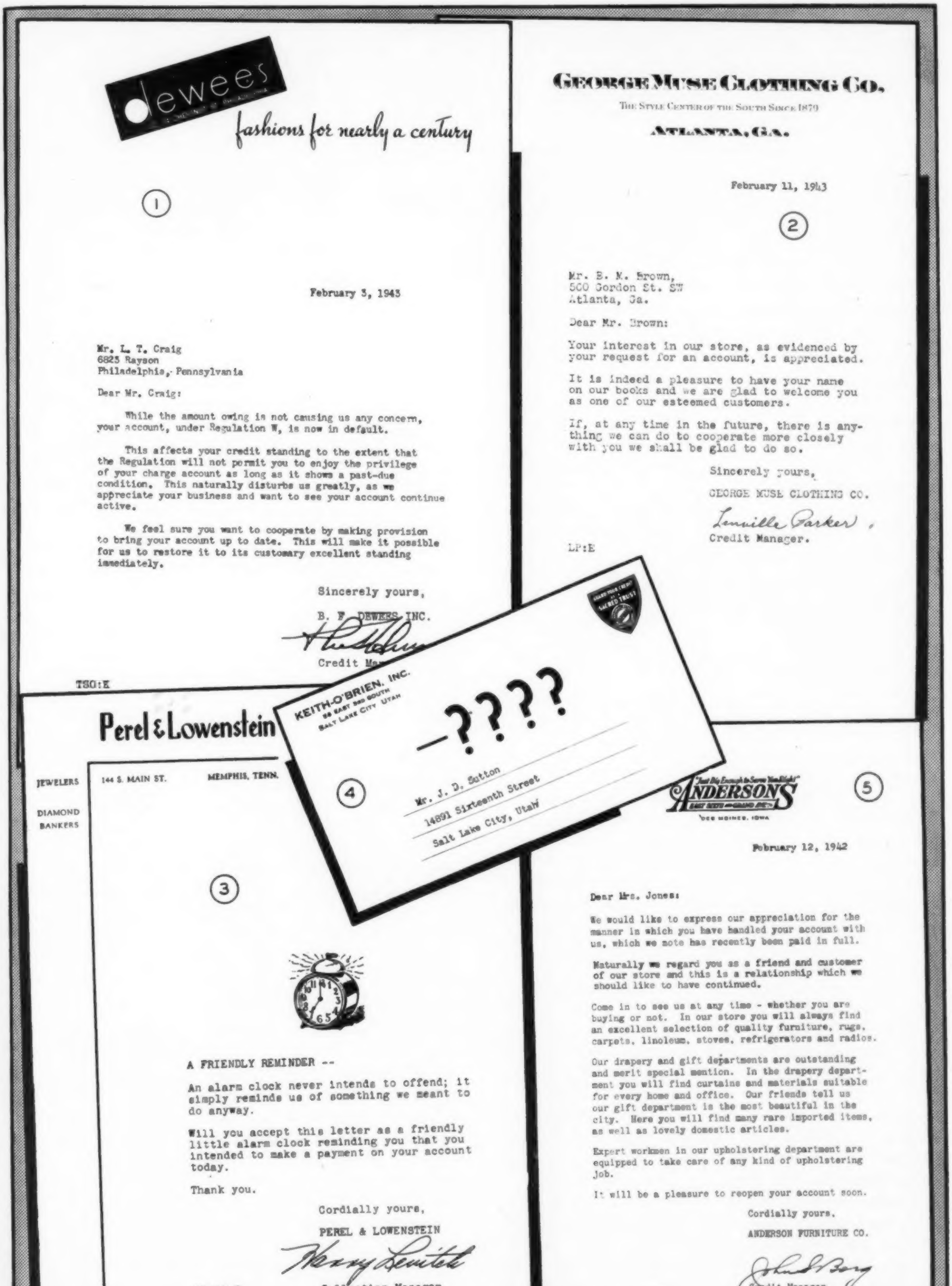
The new customer letter is the foundation upon which may be built a pleasant, lasting relationship, and the willing cooperation expressed in this letter should certainly stimulate the sales of the George Muse Clothing Co.

Illustration No. 3, by Mr. Harry Levitch, Collection Manager, Perel & Lowenstein, Memphis, Tennessee, attracts immediate attention. It is cleverly set up on a letterhead which ties in so well with the message of the letter. The reminder is brief and friendly.

Illustration No. 4 is from Keith-O'Brien, Inc., Salt Lake City, Utah. There is no written message, just a dash with four striking question marks. Nothing could be more impersonal, and this should bring in excellent results. A notice of this kind is often very effective.

Illustration No. 5, by Mr. John S. Borg, Credit Manager, Andersons, Des Moines, Iowa, is another example of friendliness expressed throughout the entire letter. It very confidently mentions the fine quality of merchandise and workmanship offered, in a convincing manner. Notice the cordial invitation in the third paragraph, "Come in to see us at any time—whether you are buying or not." It shows appreciation for the past relationship and welcomes future business in such a way that the customer will likely make a call at the first opportunity.

Letters appearing in this regular monthly section of The CREDIT WORLD are selected for the ideas they contain as well as the manner of presentation. Although some may not be perfect from the standpoint of construction, etc., all have produced satisfactory results and deserve close study.—Editor.



dewees
fashions for nearly a century

1

February 3, 1943

Mr. L. T. Craig
6823 Rayson
Philadelphia, Pennsylvania

Dear Mr. Craig:

While the amount owing is not causing us any concern, your account, under Regulation W, is now in default.

This affects your credit standing to the extent that the Regulation will not permit you to enjoy the privilege of your charge account as long as it shows a past-due condition. This naturally disturbs us greatly, as we appreciate your business and want to see your account continue active.

We feel sure you want to cooperate by making provision to bring your account up to date. This will make it possible for us to restore it to its customary excellent standing immediately.

Sincerely yours,

B. F. DEWEES INC.

Credit Ma

TSO:E

GEORGE MUSE CLOTHING CO.
THE STYLE CENTER OF THE SOUTH SINCE 1879
ATLANTA, GA.

February 11, 1943

2

Mr. B. M. Brown,
500 Gordon St. SW
Atlanta, Ga.

Dear Mr. Brown:

Your interest in our store, as evidenced by your request for an account, is appreciated.

It is indeed a pleasure to have your name on our books and we are glad to welcome you as one of our esteemed customers.

If, at any time in the future, there is anything we can do to cooperate more closely with you we shall be glad to do so.

Sincerely yours,

GEORGE MUSE CLOTHING CO.

Lenville Parker,
Credit Manager.

LP:E

Perel & Lowenstein

JEWELERS
DIAMOND BANKERS

144 S. MAIN ST. MEMPHIS, TENN.

3

A FRIENDLY REMINDER --

An alarm clock never intends to offend; it simply reminds us of something we meant to do anyway.

Will you accept this letter as a friendly little alarm clock reminding you that you intended to make a payment on your account today.

Thank you.

Cordially yours,

PEREL & LOWENSTEIN

Harry Lewitch
Collection Manager

HL:LS 2

KEITH-O'BRIEN, INC.
56 EAST 3RD SOUTH
SALT LAKE CITY UTAH

—????

4

Mr. J. D. Sutton
14891 Sixteenth Street
Salt Lake City, Utah

"Just Big Enough to Serve You Right"
ANDERSONS
EAST SIXTH AND GRAND AVE.
DES MOINES, IOWA

5

February 12, 1942

Dear Mrs. Jones:

We would like to express our appreciation for the manner in which you have handled your account with us, which we note has recently been paid in full.

Naturally we regard you as a friend and customer of our store and this is a relationship which we should like to have continued.

Come in to see us at any time - whether you are buying or not. In our store you will always find an excellent selection of quality furniture, rugs, carpets, linoleum, stoves, refrigerators and radios.

Our drapery and gift departments are outstanding and merit special mention. In the drapery department you will find curtains and materials suitable for every home and office. Our friends tell us our gift department is the most beautiful in the city. Here you will find many rare imported items, as well as lovely domestic articles.

Expert workmen in our upholstering department are equipped to take care of any kind of upholstering job.

It will be a pleasure to reopen your account soon.

Cordially yours,

ANDERSON FURNITURE CO.

John Borg
Credit Manager.

Then and Now

J. W. Griffith

General Manager, Dean's Credit Clothiers
Jackson, Mississippi

EARLY COMMERCIAL HISTORY brings to mind the origin of installment buying. Modern day methods of operation can hardly be recognized as the outgrowth of the original. When we compare the old with the new, we readily see the change that has taken place. The early days were a period in which legitimate firms and banks denied credit to individuals who were not in possession of gilt edged securities. A substantial income and good intentions to pay were worthless assets. If a banker had dared to take upon himself the responsibility to grant a loan on this basis he would have been promptly relieved of his position. His business colleagues would have whispered behind his back, saying that he was unbalanced for tampering with the unknown. Charge accounts were likewise sparingly extended. The select few whose names graced the society blue book were the only recipients.

Installment Plan Beginning

The opportunity for the middle class to buy on the installment basis seemed remote. But from the dying embers of their chances, a spark ignited and a flame of hope came into being. It at first appeared as if one of providence. It was destined to spread and leave in its wake a path of deception. Cunning disreputable merchants with larceny in their hearts visualized the possibility of selling merchandise on the installment plan to the middle class consumer group. They saw huge, unfair profits waiting to be made. They knew that "the little man" would welcome an installment plan. With plans well laid, the modern Jacobs invaded the credit field with a ruthless aim to "mop up." They launched gigantic advertising campaigns to let "the little man" know that he could buy on the installment plan. They built elaborate stores, the last word in modern architecture and grandeur. Sleek haired, smooth-talking sales clerks were employed to sell their inferior merchandise. Prices were sky high. Their shelves were well stocked with clever but cheap imitations of merchandise sold by the honest merchant.

The little man was overjoyed with news of this new installment type store. It was a grand and glorious world in which he now lived. He could buy to his heart's content without having to worry about immediate cash. He was encouraged to overbuy in proportions beyond the limits of his income. His joy was short-lived for soon he realized that the merchandise he bought under the installment plan was far inferior to the merchandise he bought under a cash basis.

Little heed was paid to his complaints. The installment payments which the clerk had told him not to worry about were left unpaid. He felt that he would get immediate action by not paying on his account. He got action! But not to his liking. He was summoned to the office of the Credit Manager and was told in no uncertain terms that the merchandise was everything that it had been represented to be. He was also advised that unless he paid his bill as agreed his salary would be garnisheed. They were magic words that the little man feared.

So, the strong armed methods of installment selling and collections came into existence together with the birth of the commercial bogieman. The commercial bogieman was known to the installment consumer as a stern faced, cold-blooded and heartless individual, smugly housed in his office behind a massive wooden door on which appeared in gold letters, Office of the Credit Manager. His method of handling the pioneer installment buyer was anything but an asset to the credit profession.

The pioneer installment credit man looked upon the buyer as a nincompoop with a soul of a swindler. With this unfounded conclusion in mind, the credit man went about the routine of taking the credit application as if he were a district attorney examining a murder suspect. He never smiled or warmed up to a customer. There were no handshakes or thank yous in appreciation of valuable patronage. The customer got a brush-off that one would hesitate giving to a distant relative who had overstayed an unwanted visit. So, the position of credit manager, which, in its own rights is far from being an easy vocation, was made a doubly difficult task through the credit man's own choosing.

A New Trend—A Credit Conscious World

But, as the world changed, so changed the credit world. Legitimate stores started to realize that the buying public was becoming credit conscious. The depression and lean years had brought about an abrupt change in retail selling. Credit sales were booming. Consumers, who, in the past, had looked upon installment buying with much disfavor, did an "about face." They were fast becoming educated to the easy payment plan. They were pleased to be able to buy family necessities without an immediate outlay of cash. Now, they found themselves in a position to buy commodities under this plan that ordinarily they would have done without.

Stores that had for generations, operated on a strict cash basis, hurriedly changed their methods of opera-

tion. They shelved old policies to make room for the new. In the changing of their old policy they were confronted with an employment problem. Their office men were not acquainted with credit operations. The credit man who had ruled with an iron hand over the installment patrons of the illegitimate credit stores was in demand. Merchants were clamoring for his services. He soon found himself in a new coming legitimate credit business. The time when he had to rely solely on his own judgment in passing on accounts was in the past. Credit bureaus were in formation all over the country. He was now able to secure helpful data from this source that aided him in making decisions. He also found that this new credit business was attracting people of intelligence and good reputation. He was soon to learn that the new credit consumer resented his dictatorial air by which he had ruled his former accounts.

The installment buyer realized that he was a vital cog in the wheel of modern business. He knew that the day when installment sales represented only a small portion of the annual sales was in the past. Now, installment buying was on a competitive basis. They demanded the same attention and respect that was accorded the cash buyer. Any firm that refused to give it to them lost their patronage. On the same block there was another firm that would welcome their business. Their rebellion crumbled down upon the head of the credit bogieman of the past. He readily realized that he would have to change his manner of handling people or look for a new field of endeavor. Colleges and universities added credit courses to train men for jobs in this rapidly expanding field. They concentrated on training men in human psychology and the art of dealing with people. They realized that the actual credit work was a routine which any intelligent person could master. They knew that the important phase of the credit man's job was human psychology.

Credit Man Today A Top Ranking Executive

Yes, we have come a long way in the credit field since the pioneer days. Mistakes have been made and corrected. We have received intensive training. Our ideas and methods of operation are up to date and streamlined. The credit man of today is a top ranking executive and a vital part of retail business operation.

No longer can we feel that we are the lord and master of the consumer. The worm has turned. Today, the installment buyer is accorded the same treatment by business firms as is the prosperous, fat-walleted cash buyer. He is dressed in a shiny armor of good reputation, his signature on our contracts is a sword that will cut the very lifeline of our existence if we fail to give him the proper service and respect. Mr. and Mrs. Time Buyer are our "bread and butter."

It behooves us, therefore, to be on guard at all times in order to protect the source of our income. Our greeting to them should be warm, our handshake firm and our appreciation great, lest we forget and revert back to the customs and actions of our now forgotten predecessor, the credit bogieman, whose skeleton still reclines in our ancestral closet.

1942 Retail Credit Survey

R. Preston Shealey

Washington Representative, National Retail Credit Association

Our members will recall that the Retail Credit Survey sponsored by the National Retail Credit Association was transferred, last September, by the Department of Commerce (which Department had conducted it from its start in 1930) to the Federal Reserve Board. A survey made by our National Association demonstrated a real need for continuing this splendid service, but it will not be started in the same form as previous surveys. The questionnaire requests information on:

1. Cash and C.O.D. sales.
2. Instalment sales.
3. Other credit sales, instalment receivables and other retail receivables.

This information is being requested for 1941 and 1942. Charge account data will be totaled as will also instalment and other retail receivables.

It will be noted that the schedules do not contain bad debt losses or monthly figures, the replies being limited entirely to the yearly basis.

Questionnaires will be sent to a list compiled by the Department of Commerce, comprising those who sent in one or more replies in connection with the past three annual surveys. These questionnaires will be distributed by the twelve Federal Reserve Banks, but arrangements will be made by the National Office to supply additional names.

If personal contact is required to furnish information concerning the survey, the branches of the Federal Reserve Banks, as well as officials of the twelve parent banks, will be available for this purpose.

Tabulation of replies will be made by the various banks, and the results sent to the Federal Reserve Board in Washington. It is expected that this method will greatly expedite results being released to business.

Coverage of the country will be substantially as in previous years, but two industries have been dropped from the survey leaving the ones to which questionnaires will be sent as follows:

1. Automobile dealers.
2. Automobile-tires and accessory stores.
3. Coal, fuel and wood dealers.
4. Grocery stores.
5. Hardware stores.
6. Household-appliance stores.
7. Jewelry stores.
8. Lumber and building material dealers.
9. Men's clothing stores.
10. Milk dealers.
11. Plumbing and heating equipment dealers.
12. Shoe stores.
13. Women's specialty stores.

This survey conducted by the Federal Reserve Board should be of outstanding value to members of the National Retail Credit Association, but that result will be accomplished only by the complete cooperation of the National Association and its members.

The National Retail Credit Association started the survey, has continued it through the years, and should exert every effort to improve it, thereby constantly increasing its value to retail trade.

The *Trail* Your Customer Leaves in Ink

Preble D. K. Hatch

President, Bangor Service Bureau, Inc.
Bangor, Maine

IS GRAPHO ANALYSIS reliable? It is our experience that knowledge and use of grapho-analysis gives personal satisfaction, and what is more important, makes the daily job of handling credit applications easier, more certain, so that our judgment is backed by confidence. We know what we know, because we have checked the individual, using rules we know are dependable.

For ten years I have been extremely interested in the science of grapho-analysis and during 1942 the importance of what was a hobby has become most valuable both to the Credit Bureau and members of the Association. It has added a new touch of enthusiasm, and has created much interest with our bureau subscribers. Too, it has been the means of obtaining many new employee reports which our members have ordered with the expressed request that a handwriting report be added to the credit investigation.

In our monthly bulletin we run a full page article together with illustrations on the value of knowing some of the "danger signs" that the credit applicant or employee leaves in ink. These articles are prepared to serve the individual credit manager, or client, although they have also been productive of new business for our analysis service.

There are no mysterious or mystical tricks to the science of handwriting. It is not a fortunetelling game—far from it. Neither is it "guesswork." Such reports when completed are "factbilt." The rules of grapho-analysis have been tested, carefully tabulated, rechecked, and classified. Today such rules are foolproof and may be relied upon at all times.

Study some of the following examples, together with the simple rules. Apply them to your applications and you will bring to light a better picture of your applicants as to their paying qualifications and their innermost character.

We offer a personal credit service to our members as an added service. Such a report may disclose some amazing facts about your most trusted employees. It will help you place the right person in the proper job. This one check-up alone will be of untold value to the individual, and to your organization. Your credit report will tell you his past history, but the handwriting analysis digs deeper.

We have found that the knowledge of handwriting analysis is so closely allied with credit and collection work that it is almost impossible to go through the day's work without applying one or more of the rules found in the study of grapho-analysis.

How would you like to receive a letter from a debtor stating he will send you a check in ten days for the amount due you, and really feel he means what he says? You can! The answer to his actual meaning is in the letter he wrote—with pen or pencil. If his writing shows any of the signs given here you can put a "watch" card on this account, and give it the attention such a warning justifies. This watchdog value of grapho-analysis is just one phase of its usefulness to us, and it is time well spent in mastering the science.

These rules are exact and accurate, and you may apply them in your daily work with complete confidence. When you have proved them you too will become a staunch supporter and user of this science and help bring

to light a field of knowledge that every credit manager should possess.

The rules given below may prove worth hundreds of dollars to you in sizing up your associates or credit applicants. You may think you know them, but do you? The truth at heart—for every time a pen stroke is made by your applicant he or she leaves a story—a story that is valuable to your future welfare.

Experience justifies the emphasis on this one point: test and prove these rules so you will see the truth and undeniable evidence that this science is here to stay and is coming into use by leaps and bounds every day. The progressive man or woman will be a better asset to any organization which falls in line and becomes acquainted with this science of grapho-analysis.

Some Sample Rules to Try on Your Next Application

1. When you find in your application that the upper stems are made double loops—look for a lazy person—low pay checks—shiftless in every respect and you may expect a slow-paying customer.

do not think of this

2. When you find repeatedly the double looped "o" or "a" as shown there is an excellent example of deceitfulness.

odd a food or

3. When you find your employee or credit applicant making an "a" or "o" with a broken base, "avoid such à person" (base of the letter must be broken, not the space between letters).

about an hour ago

4. Watch for "a's" made like the following; they spell deception and by all means "watch your step." Note the initial hooks on the "a"; this is deceit.

at many small marks

5. When the applicant makes the crossbars that never quite catch up with the stem of the "t" or the "i" dots come before the "i" look for someone who will put off doing a thing—her promised monthly or weekly payment will be slow.

the cat + he is it

This is how we use grapho-analysis—and how you can use it. These few rules will not make you a trained analyst but they will serve dependably as far as they go. That is, you can depend on these rules to fit applications you have in your files or may receive. When you have used them, and found that they stand the test of practical everyday use you will see something of the importance of this science in helping the men and women of the credit fraternity ease their credit tasks, and helping to provide the possibility of satisfaction in a job well done, better done in fact than ever before.

——December, 1942 The Collecti[on] S[urvey]

District	City	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)				
		1942			1941			1942			1941			1942			1941			1942			1941	
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.
1	Boston, Mass.•	—	—	—	43.8	47.5	40.8	—	—	—	15.7	17.0	13.5	—	—	—	49.7	71.0	36.1	—	—	—	—	—
	Lynn, Mass.	73.7	83.2	58.6	57.2	58.9	44.2	55.6	61.0	50.3	45.9	57.4	34.5	—	—	—	—	—	—	23.0	29.0	21.9	17.6	23.0
	Springfield, Mass.	74.8	80.7	69.0	55.8	58.7	53.0	32.7	40.0	25.5	19.5	21.0	18.0	—	84.6	—	—	52.5	—	—	—	—	—	—
	Worcester, Mass.	70.5	74.4	64.3	41.5	53.3	40.6	31.1	32.2	30.0	21.3	22.8	19.9	59.3	61.8	56.0	40.3	40.5	36.0	—	—	—	—	—
	Providence, R. I.•	—	—	—	50.4	77.4	41.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12.6
2	New York City	61.8	67.0	55.5	47.8	60.9	39.8	22.0	48.0	17.6	19.3	29.1	14.2	57.0	59.9	46.8	46.1	49.8	37.6	—	—	—	—	—
	Syracuse, N. Y.	61.1	70.6	53.4	42.3	43.8	40.1	22.4	33.3	20.6	15.5	19.7	13.0	—	63.4	—	—	41.4	—	—	—	—	—	—
	Pittsburgh, Pa.	62.8	70.0	53.9	47.6	60.6	38.1	24.5	31.9	19.8	18.1	21.4	14.5	61.2	70.0	51.8	48.8	60.6	38.1	—	—	—	—	—
	Reading, Pa.•	—	—	—	—	58.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10.0
3	Washington, D. C.	57.5	60.6	55.1	41.8	48.8	38.3	21.8	24.4	19.8	15.2	17.1	13.9	—	—	—	—	—	—	—	—	—	—	—
	Baltimore, Md.•	—	—	—	42.6	50.1	34.2	—	—	—	20.2	28.0	13.6	—	—	—	39.4	44.3	36.0	—	—	—	—	—
	Huntington, W. Va.	—	75.3	—	66.6	70.4	62.8	—	21.4	—	13.8	14.3	13.3	—	42.3	—	—	28.4	—	18.1	20.5	15.6	11.0	11.5
4	Birmingham, Ala.	61.8	65.1	54.0	44.2	45.2	43.5	25.7	28.5	23.0	16.7	17.5	16.0	66.2	73.5	58.0	52.5	62.6	46.0	18.4	19.8	17.6	12.2	13.4
	Atlanta, Ga.	—	—	—	33.3	35.6	31.1	—	—	—	13.6	14.4	12.8	52.9	57.9	47.9	33.0	41.0	26.0	10.6	12.7	8.5	14.5	18.1
5	Little Rock, Ark.	—	66.4	—	—	47.0	—	—	44.3	—	—	31.1	—	—	—	—	—	44.3	—	—	—	—	—	—
	Kansas City, Mo.	77.3	79.1	59.4	64.0	71.0	40.2	—	35.5	—	18.6	21.1	16.0	69.1	82.6	47.7	48.5	55.0	40.0	21.6	23.2	20.0	17.6	20.0
	St. Louis, Mo.	73.9	79.8	70.8	56.3	69.9	50.8	32.0	43.0	24.3	19.6	24.4	16.5	63.0	68.4	54.6	46.2	48.9	36.3	—	36.1	—	—	22.7
6	Louisville, Ky.	62.0	65.2	56.7	52.8	65.9	37.9	28.8	30.4	25.6	16.4	17.6	14.6	56.6	66.0	49.1	41.0	48.4	37.3	—	—	—	—	—
	Detroit, Mich.	77.9	86.3	61.7	54.7	70.6	42.4	40.0	42.5	36.6	25.2	28.3	19.9	66.4	68.9	61.6	44.4	45.5	43.1	—	—	—	—	—
	Grand Rapids, Mich.	66.2	67.7	63.4	44.4	47.8	42.4	28.7	29.1	28.4	20.1	20.5	19.6	59.8	73.9	52.0	41.3	49.0	32.2	30.3	40.6	18.0	27.0	34.1
	Cincinnati, O.	68.0	73.1	63.2	43.9	58.7	38.2	25.1	35.4	22.1	15.4	21.5	9.3	58.6	63.5	46.5	39.7	41.3	37.6	—	—	—	—	—
	Cleveland, O.	64.5	70.7	57.9	50.2	52.4	48.6	35.6	37.6	21.5	23.6	24.8	17.2	54.6	68.6	43.0	41.9	58.7	39.1	15.1	41.6	15.0	11.0	18.4
	Columbus, O.	—	74.4	—	40.5	44.4	36.6	21.2	30.1	19.9	16.4	18.9	14.5	67.4	69.2	65.2	49.8	53.6	46.0	19.0	50.0	14.4	18.3	42.0
	Toledo, O.	66.0	67.3	62.3	44.5	63.5	41.0	26.2	29.4	19.9	21.5	22.9	17.4	61.0	64.4	57.2	—	43.5	—	—	—	—	—	—
	Youngstown, O.	57.7	70.3	45.2	—	48.8	—	21.9	22.0	21.8	—	16.0	—	—	—	—	—	—	—	—	—	—	—	—
	Milwaukee, Wis.	68.8	73.7	63.9	50.2	54.4	46.0	—	36.8	—	23.2	27.4	21.6	54.1	65.4	42.8	39.9	50.0	29.8	20.3	23.1	18.5	12.7	17.1
7	Cedar Rapids, Ia.	80.5	87.2	70.9	64.3	65.0	48.0	33.4	37.0	29.8	24.0	28.0	20.1	—	—	—	—	—	—	—	—	—	—	—
	Davenport, Ia.	65.3	69.8	60.9	49.1	49.6	48.7	28.9	30.7	26.2	16.4	18.7	14.1	—	—	—	—	—	—	—	—	—	—	—
	Des Moines, Ia.	63.8	77.8	55.8	46.0	50.9	45.4	—	27.0	—	—	12.2	—	51.3	74.7	48.3	41.1	54.5	40.3	—	—	—	—	—
	Sioux City, Ia.	65.6	68.0	63.2	46.1	47.8	44.4	25.2	32.4	18.1	18.8	19.8	17.8	—	63.0	—	—	45.0	—	—	23.9	—	—	20.6
	Minneapolis, Minn.	85.9	88.2	83.1	65.6	68.1	61.8	36.2	42.4	25.8	20.1	22.6	15.1	78.2	79.3	77.0	60.8	62.2	59.4	—	11.4	—	—	14.7
	St. Paul, Minn.	76.1	90.5	67.9	53.0	66.2	45.7	34.2	36.8	31.6	24.3	39.2	18.0	62.3	79.0	45.0	43.9	58.5	30.0	—	—	—	—	—
	Omaha, Neb.	65.2	66.3	64.1	40.5	41.5	39.6	—	—	—	—	12.9	—	—	—	—	43.8	47.3	39.6	—	—	—	—	—
8	Tulsa, Okla.	83.2	86.0	80.5	64.0	68.1	60.0	—	—	—	18.7	24.0	13.5	78.2	84.3	73.0	63.1	71.1	55.0	—	—	—	—	—
	San Antonio, Tex.	59.5	68.6	51.5	42.0	47.0	38.0	—	16.2	—	9.0	11.1	8.0	59.0	61.4	51.0	42.0	49.7	28.0	18.0	29.0	16.2	—	—
9	Denver, Colo.•	—	—	—	45.9	49.2	43.1	—	—	—	15.2	20.1	12.2	—	—	—	45.4	46.2	44.6	—	—	—	10.7	12.1
	Salt Lake City, Utah	82.9	84.6	79.5	57.2	60.6	51.3	39.1	45.3	35.0	23.3	25.5	19.8	—	—	—	—	—	—	—	—	—	—	—
	Casper, Wyo.	102.1	124.2	80.0	—	118.5	—	—	—	—	—	—	—	—	—	—	—	33.4	—	—	—	—	—	—
10	Spokane, Wash.	—	—	—	—	53.8	—	—	17.7	—	14.1	16.6	11.6	—	60.0	—	60.0	73.0	45.6	—	—	—	—	—
11	Los Angeles, Calif.	73.8	77.8	72.2	59.2	63.0	51.6	25.7	34.4	21.8	—	—	—	48.2	69.6	46.0	46.5	57.0	40.0	—	—	—	—	—
	Oakland, Calif.	71.7	81.0	65.8	50.2	56.7	41.3	33.8	52.5	18.7	18.1	30.0	15.5	64.0	74.6	53.4	41.4	51.7	31.2	—	32.5	—	—	22.4
	San Francisco, Calif.	60.3	80.8	56.4	43.0	55.7	35.5	31.1	42.4	25.4	17.2	22.0	14.5	49.6	58.8	48.0	32.3	37.3	27.3	—	—	—	—	—
	Santa Barbara, Calif.	59.9	77.6	39.6	48.7	59.8	27.8	—	—	—	—	—	—	55.6	61.8	52.4	47.4	49.3	43.8	—	—	—	—	—
12	Vancouver, B. C.	80.6	83.9	77.3	67.2	74.8	59.5	31.6	34.0	29.2	22.3	25.1	19.5	—	—	—	—	55.0	—	—	—	—	—	18.1
	Victoria, B. C.	90.8	93.2	88.5	78.6	80.9	76.3	27.9	31.8	24.0	22.6	27.6	17.7	—	—	—	—	—	—	—	—	—	—	—
	Ottawa, Ont.•	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

•1942 figures not received at press time
°Installment

[1]Furriers
[2]Laundry

[3]Heating
[5]Lumber

[6]Paper and Paint
[7]Fuel

[8]Cleaning and Dyeing
[10]Artists' Supplies

FORTY-SIX KEY CITIES COOPERATING WITH THE RESEARCH DIVISION -- [U]NITED

ti Scoreboard December, 1941

TORES (…ounts)			…RY STORES			MEN'S CLOTHING STORES						SHOE STORES						AUTO ACCESSORIES, TIRES, GAS AND OIL						MISCELLANEOUS					
1941			1941			1942			1941			1942			1941			1942			1941			1942			1941		
HI.	LO.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
—	—	—	71.0	75.8	66.3	—	—	—	—	59.6	—	—	—	—	—	58.8	—	—	—	—	—	—	—	—	—	—	63.3	84.4[19]	57.0[17]
23.0	[illegible]	—	—	30.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	41.5	—	—	81.5[7]	—	68.0[7]	71.2[7]	62.0[5]
—	—	—	—	—	—	—	65.0	—	—	48.0	—	80.0	83.7	76.3	65.7	65.8	65.6	—	—	—	—	—	—	—	57.0[5]	—	—	71.0[5]	—
—	—	—	—	—	—	—	56.0	—	—	43.3	—	—	51.4	—	—	46.8	—	—	101.8	—	—	70.0	—	71.0	79.0[2]	56.9[7]	60.0	73.8[7]	57.0[6]
12.6	—	—	—	—	—	—	—	—	—	45.7	—	—	—	—	—	61.9	—	—	—	—	—	—	—	—	—	—	68.2	82.5[5]	54.0[5]
—	—	—	—	—	—	61.0	62.0	60.2	48.1	51.1	45.1	—	—	—	—	—	—	—	78.4	—	—	70.0	—	—	89.1[13]	—	—	85.0[13]	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43.0	—	—	—	—	—	—	—	—	—	—	—	49.0[6]	—
—	—	[illegible]	93.0	117.2	68.9	—	—	—	—	—	—	65.5	77.0	54.0	55.1	65.0	45.2	—	—	—	—	—	—	61.2	66.0[2]	56.4[5]	53.3	53.4[2]	53.2[5]
10.0	—	—	—	15.7°	—	—	—	—	39.7	47.1	32.2	—	—	—	—	60.0	—	—	—	—	—	—	—	—	—	—	58.8	68.2[2]	53.0[5]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	41.6	49.1	37.0	—	—	—	42.7	54.1	31.0	—	—	—	—	—	—	—	—	—	—	—	—
11.5	[illegible]	—	—	—	—	—	—	—	—	50.9	—	—	—	—	—	—	—	—	35.0	—	—	26.4	—	—	—	—	—	—	—
13.4	[illegible]	—	—	—	—	67.7	75.6	57.6	47.8	49.5	45.0	—	—	—	—	—	—	—	—	—	—	—	—	78.9[14]	97.8[14]	72.3[14]	81.4[14]	90.6[14]	68.0[14]
18.1	[illegible]	—	—	—	—	39.4	42.7	36.5	53.1	56.2	49.6	90.5	128.7	52.3	73.5	107.1	40.0	—	—	—	—	—	—	64.5[17]	64.5[17]	64.5[17]	43.6[17]	43.6[17]	43.6[17]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
20.0	[illegible]	—	—	—	—	69.1	82.6	47.7	48.5	55.0	40.0	—	—	—	—	48.2	—	—	78.1	—	76.0	78.1	74.0	86.6	93.2	80.0	82.5	97.1	65.0
22.7	—	—	—	—	—	55.9	61.0	52.6	41.3	43.0	39.9	—	—	—	—	—	—	—	—	—	—	—	—	71.5[7]	73.0[7]	70.0[7]	59.1[7]	59.3[7]	59.0[7]
—	—	—	—	—	—	—	—	—	36.6	37.1	36.2	—	58.0	—	—	49.0	—	—	—	—	—	—	—	73.8	76.4	51.6[7]	61.7	71.2	34.4[7]
—	—	—	—	77.7	—	—	—	—	—	—	—	68.2	73.8	61.0	55.4	61.8	49.5	—	—	—	—	—	—	—	—	—	—	—	—
34.1	[illegible]	—	—	—	—	88.1	116.0	71.8	65.8	91.8	49.7	—	—	—	—	—	—	—	—	—	—	—	—	92.6[7]	127.0[7]	60.0[7]	87.6[7]	112.0[7]	53.0[7]
—	—	[illegible]	69.5	83.0	56.1	54.2	64.1	44.4	39.1	39.1	39.1	—	59.9	—	65.5	76.0	55.0	—	59.0	—	—	51.0	—	—	—	—	—	—	—
18.4	[illegible]	[illegible]	65.0	65.8	41.4	76.6	[illegible]	47.4	48.0	95.2	42.8	—	—	—	—	—	—	—	—	—	—	—	—	74.6	91.3	62.3	59.5	70.8	48.3
42.0	[illegible]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	62.0	78.0	46.0	50.4	51.3	49.5	39.5	42.0	37.1	—	—	—	—	—	—	—	—	—	—	—	—	—	73.9	—	—	69.9	—
—	—	—	—	—	—	76.2	94.3	40.0	52.9	57.8	28.0	—	—	—	—	—	—	—	—	—	—	—	—	—	57.0[19]	—	—	57.0[16]	—
17.1	[illegible]	—	47.2	61.0	33.4	—	53.5	—	51.6	53.1	48.0	—	62.8	—	—	50.7	—	—	—	—	—	—	—	—	1.2[1]	—	—	65.0[1]	—
—	—	—	—	—	—	89.9	96.8	82.9	56.8	67.0	46.7	—	64.0	—	—	58.0	—	—	—	—	—	—	—	—	89.9	—	—	74.5	—
—	—	—	—	—	—	67.9	77.5	58.3	55.1	56.9	53.4	—	—	—	—	—	—	—	—	—	—	—	—	—	76.0[19]	—	—	59.0[19]	—
—	—	—	—	—	—	65.3	65.7	64.9	47.5	50.9	44.1	—	67.0	—	—	54.0	—	—	—	—	—	—	—	—	—	—	—	—	—
20.6	—	—	—	—	—	—	79.3	—	—	52.2	—	—	65.0	—	—	50.0	—	—	—	—	—	—	—	—	—	—	—	—	—
14.7	—	—	—	34.5	—	64.8	72.5	59.5	50.2	60.6	43.9	—	78.0	—	—	64.2	—	—	13.8	—	46.9	70.3	22.6	76.4[7]	97.4[7]	56.7[7]	66.2[7]	85.2[7]	43.3[7]
—	—	—	—	—	—	60.6	78.1	38.5	45.9	62.5	39.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	69.9	—	—	50.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	80.6	95.3	66.0	57.6	72.3	43.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	18.7°	—	—	68.5	—	—	43.0	—	—	77.6	—	—	50.2	—	—	—	—	—	—	—	—	—	—	—	—	—
12.1	[illegible]	—	—	22.1	—	—	—	—	43.9	46.2	41.7	—	—	—	—	42.6	—	—	—	—	—	76.0	—	—	—	—	56.3[5]	81.6[5]	31.0[5]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	84.0	94.0	74.0	52.0	65.0	39.0	—	72.0	—	—	60.0	—	—	—	—	—	—	—	—	97.9[5]	—	—	72.7[15]	—
—	—	—	—	26.1°	—	59.0	76.3	41.7	44.1	45.3	43.0	—	60.1	—	—	—	—	—	—	—	—	—	—	81.5	90.0[7]	69.1[5]	67.3	76.0[5]	33.0[1]
—	—	—	—	—	—	65.8	75.8	49.7	50.2	60.2	41.0	72.9	75.2	69.0	52.0	57.1	49.0	—	—	—	—	—	—	—	90.4[5]	—	—	84.1[5]	—
22.4	—	—	—	—	—	62.5	67.8	53.0	45.5	69.7	36.7	—	72.1	—	47.6	50.1	45.4	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	55.5	68.6	50.4	39.5	43.6	36.1	60.4	97.0	53.9	52.3	65.3	39.4	66.3	71.3	59.5	68.8	73.5	64.0	—	—	—	—	—	—
—	—	—	—	—	—	76.0	90.7	51.2	61.8	77.7	47.8	66.1	83.1	49.3	51.0	61.5	45.1	—	—	—	—	—	—	67.1[5]	71.4[5]	62.5[5]	60.3[5]	70.2[5]	53.8[5]
18.1	—	—	—	55.0	—	—	56.0	—	—	68.1	—	—	76.0	—	—	100.0	—	—	71.0	—	—	85.5	—	79.0	95.5[24]	47.0[5]	76.0	94.5[24]	40.0[16]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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COMPILED BY RESEARCH DIVISION NATIONAL RETAIL CREDIT ASSOCIATION

2-43 N.R.C.A.

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[14]Stationery, Office Supplies
[15]Florist

[16]Hardware
[17]Music

[18]Dairy

[19]Drugs

[24]Electrical Supplies
[25]Dental Supplies

SION--UNITED STATES AND CANADA--CONTRIBUTE THESE FIGURES MONTHLY

How I Use Bureau Service In Hospital Credits

J. J. Mooney

Credit Manager, St. Vincent's Hospital
Birmingham, Ala.

THE DUTIES of the credit manager of a modern hospital begin within a few hours after the patient has been admitted, and the receptionist has interviewed the patient and filled out the admission slip.

This form is similar to that used by most hospitals in that it provides fairly complete information as to name, identity, address, reason for hospitalization, names of attending physician and surgeon; name, address and occupation of individual who will be responsible for charges incurred, etc.

These admission slips are delivered to the credit office at least once a day, sometimes oftener, and the first step is to check the credit rating of each patient in The Blue Book, to determine paying habits as reported by the various mercantile and business firms.

If the rating is definitely favorable, no further credit investigation is made. If it is a borderline case, or definitely unfavorable, we immediately call the bureau for a credit report, which gives a complete check on his record.

A notation is promptly made on the ledger, and on individual cards kept in the credit office, reminding us that such patients require what we call "special attention." The usual routine is to ask the person responsible for payment to drop by the office. We try to make this seem merely a routine matter, and every effort is made to place the conversation on an informal and friendly plane. However, we have a bill made out for the expense incurred during the first week and explain that it is customary that such bills be paid in advance.

If the amount involved is, say $60.00, we try to secure from him at the time at least 75 per cent or about $45.00. If the patient's stay in the hospital will not exceed a week or ten days, and he says he can only pay half of it now but will take care of the balance in 30 days or his next pay day, we tell him that will be satisfactory and ask him to sign a promissory note.

As a result of these precautions, our collections have greatly improved. Signing a definite promise to pay on a definite date has had a very salutary effect on stabilizing and securing the obligation, especially if this is followed through, as we do, by personally telephoning the signee and calling his attention to the obligation, should he fail to make his payments on time.

Right here there is one thing I certainly can say for Merchants Credit Association service. If the credit report shows prompt paying habits, we have no trouble getting our money. If it shows an unfavorable credit record, with a list of slow and unpaid obligations, we know we will have the same experience unless we take every precaution to prevent it. And this "warning" has saved us hundreds of dollars.

Before I was appointed credit manager, it was not the hospital's policy to place accounts for collection. In consequence there were P & L accounts totaling several

The Book Shelf

How to Improve Your Human Relations (Harper & Brothers, 49 East 33rd Street, New York City, 192 pages, $2.50). At a time when human adjustments to new positions, new communities and new difficulties are widely faced, Dr. Reilly offers a timely and practical guide everyone will find helpful. He sets forth his considered findings about the basic yet simple attitudes which make people's everyday relations with family, friends, business associates, employers, and employees more pleasant and productive. To this problem, as to the problems treated in his previous books, Dr. Reilly applies his well-known Straight Thinking principles developed and taught at the National Institute for Straight Thinking through which thousands of men and women have learned how to improve their business and social positions. Other books by Dr. Reilly include, *Straight Thinking—How to Solve Your Business Problems, How to Use Your Head to Get What You Want,* and *How to Find and Follow Your Career.* The author is a practical business consultant who has successfully employed his own methods in the handling of problems for many large companies.

Small Retailers Face the War (United States Government Printing Office, Washington, D. C., 88 pages, 15 cents). In this monograph, for the first time since Pearl Harbor, the hard facts of retail business life in a wartime economy are sharply painted. Much has been said previously about the manufacturers who cannot get war work. Less dramatic, but every bit as important, is the plight of the hundreds of thousands of retailers who find that they no longer get enough goods to sell. This study presents sales forecasts for individual trades. It also highlights the choices that face Congress and Government agencies in developing policies toward retailing. By so doing, it should help American retailers —among whom are included the majority of small businessmen—develop clear opinions as to what course future Federal policies should take. It should stimulate their constructive participation in the moulding of these future decisions. It was printed for a special committee of Congress appointed to study problems of American small business.

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thousand dollars in our files. Since June we have been turning these accounts over to the Collection Department of the Merchants Credit Association with results that have been most gratifying.

Since June collections from these old accounts, many of them dating back to 1934, have averaged between $150.00 and $200.00 a month. The Collection Department has done a splendid job without offending anyone. I know that is true for, naturally, a good many checks have been mailed to us direct and invariably these former patients write personal letters expressing appreciation for services and apologizing for not having paid sooner.

Pay-As-You-Go . . . (*Beginning on page 4*)

over a period of some 35 to 50 years, the gross amount of eight billion dollars estimated as the tax liabilities on 1942 income would amount to an average of only $160,000,000 to $220,000,000 a year over this period. This gross loss of revenue in any case would be partially offset by better tax collections and collection methods and also by recoveries through the estate tax of part of what would otherwise have been payable as income tax. The loss in revenue is relatively not substantial in comparison with the gross tax revenues to be received in these years. Another way of looking at it is that the net loss over a generation would be about the same as one month's current expenditures. The first big loss would come, if at all, in the first year of a post-war depression and it would occur as a timely adjustment both for the economic welfare of the nation and for the help of each individual taxpayer whose income had suffered reduction. It is a small cost to achieve a basic income-tax reform, preserving the integrity of the system and affecting beneficially 27,000,000 citizens.

Effect of the Plan on Inflation

The question is sometimes raised as to the effect of the plan on inflation. The only persons who would have more cash on hand under the plan are the few who have accrued their income taxes and who hold them in liquid form. These are few indeed and they are not spendthrifts. On the contrary, it is a matter of common observation that the American people will not spend their savings, or their War Bond purchases when they have once been acquired, except under conditions of real economic pressure. Striking evidence of this is found in the familiar Christmas Savings Clubs, where money is purposefully saved to buy Christmas presents; and yet when the time for expenditure comes, under all the pressure of the holiday season and in spite of the identification of the savings with the season, only 30 per cent of the Christmas Club resources are actually spent for consumer purchases. As a matter of fact, since the Pay-As-You-Go plan will make withholding taxes possible at a high level, and since we will be collecting for 1943 in 1943, the total effect will be anti-inflationary rather than otherwise.

The Tax Research Department of the Treasury feels that a withholding tax at a high rate is important in keeping taxpayers current. I too favor a withholding tax, because it makes it easier for people to keep on a pay-as-you-go basis. And if we want a withholding tax at a high rate, the Pay-As-You-Go plan does solve the problem of having a withholding tax without having some amount of double taxation; that is, of paying two years' taxes in one. However, if a withholding tax provision at a high rate turns out to be either undesirable or impractical, the Pay-As-You-Go plan stands on its own feet as a sound method of getting the country free of income-tax debt.

The second point in the Pay-As-You-Go income tax plan is designed to solve the problem of how we can pay our income taxes on a current basis, when we do not know at the beginning of a year what our income is going to be in that year. The way of solving this problem is not too difficult. We will go ahead as we do today, filing an income tax schedule about the fifteenth of March declaring our previous year's income. But this will be a tentative return for the year then beginning and we will pay our current taxes on the basis of this tentative return. After the year had ended there would have to be an adjustment up or down depending on whether our actual income for the year was greater or less than that on our tentative return. But this adjustment would be made on the same blank and at the same time as our return for the following year. This return would be at one time the final return for the old year and the tentative return for the new. There would be no doubling of returns involved and only a few extra lines for the adjustment computations.

The third feature of the plan is the provision for relief in case a taxpayer knows his income in the current year is going to be less or greater than that of the year of his tentative declaration. The plan provides that he may declare his true knowledge of lower or higher income, as a result of salary changes, and so forth, which have actually occurred, and make his current payments accordingly.

This provision eliminates the awkwardness of avoidable year-end adjustments and keeps the plan closer to a true pay-as-you-go basis than it would be otherwise.

The fourth point about the plan covers the special provisions for minimizing objectionable "windfall" cases. These provisions were not included in the original plan and have been added to meet a widespread feeling that, even though the number of cases be few, it is desirable to guard against them.

To meet this feeling, I have made the following three suggestions for handling these "windfall" cases:

(1) Do not cancel the income tax on capital gains. Capital gains are not like ordinary recurring income, and can properly be separated out in the plan.

(2) Provide a special death tax to recover what may be considered "windfall" arising because of death in 1942, or during some appropriate transition period.

(3) In all cases where claim for credit exceeds $10,000, or some other suitable amount, take an average of 1941, 1942, and 1943. The average of the three years will be a practical way of determining a fair normal income instead of "windfall" income.

Provision for "Windfall" Cases

These three provisions will catch all of the most objectionable "windfall" cases. But even so, there may still be a few remaining. What then?

Much as I dislike windfalls, even if they cannot be entirely eliminated, I am still for the plan. In all fairness, we should not refuse to do good for millions simply because we will be doing too much good for a few that don't deserve it.

The fifth point about the Pay-As-You-Go income tax plan is that it proposes to give equal treatment to all taxpayers under the plan. This means to skip a tax year

for all alike in every bracket and start the whole country income-tax-debt free.

These are my reasons: For those in the lower brackets, the plan will obviously have far-reaching beneficial results since unfortunate circumstances of loss of income will not be doubly unfortunate because of last year's debt.

For those in the middle brackets, the plan will eliminate countless personal and family tragedies, free many able citizens for public service, and step up the efficiency of American industry by making possible the retirement and pensioning of executives who are holding on, largely to pay their income tax and never catching up.

For those in the upper brackets, it will make much less practical difference than might appear. First, because like anybody else, as long as they have their income they continue to pay their taxes; and, when they die, what otherwise would have been payable as income tax on the taxpayer's previous year's income is subject to estate taxes in his highest brackets.

But apart from the practical considerations, the reason I favor over-all application of the principle is because it gives equal treatment to all taxpayers under the plan. In adopting Pay-As-You-Go by skipping a year, I believe we should treat all citizens alike. As we turn the tax clock ahead for some, we should turn it ahead for all, and get the whole nation out of income-tax debt as of the beginning of 1943.

Insofar as we want more equality of income and of wealth we can have these through the progressive income tax and the progressive estate tax, but we should not use this general income-tax reform, Pay-As-You-Go, unequally to accelerate indirectly the impact of progressive taxation. Let us achieve such levelling, or lack of it, as we desire, directly through legislative action on measures explicitly drawn to serve that purpose.

There is a deeper and perhaps a truer way of looking at this problem of correcting our income tax practice equitably. Most agree, I suppose, on a policy of taxation based on ability to pay, with graduated rates as steep or as mild as Congress from time to time determines proper. We are not unmindful of other social criteria for the imposition of taxes, but presumably these would all be consistent with ability to pay.

The True Significance of the Plan

If we now look at our traditional income-tax practice fundamentally, we see what we have really been doing is to estimate ability to pay in terms of last year's income. Now as a matter of observable fact, last year's income is over and gone as income; it is a criterion of ability to pay only insofar as last year's income remains as a residue in current wealth, or as it portends income presently to be received.

The true significance of the Pay-As-You-Go plan is that it denies the applicability of last year's income as a criterion either of current wealth or of income presently to be received; and therefore rejects for all alike the use of last year's income as a basis of taxation according to ability to pay. The plan involves not only the elimination of income-tax debt; basically it involves a change in the criterion of ability to pay. By starting the new year with a new criterion of ability to pay, we simultaneously start it with all citizens income-tax-debt free.

The Treasury has devised a modified plan which would apply to the full tax debt of some taxpayers and to only a part of the tax debt of the rest. Concretely, the Treasury proposed that the tax year be skipped for only the normal tax and the lowest bracket rate of surtax (that is, a total of 10 per cent and that the balance of the tax debt remaining should be paid over the next two years), this in addition to current income taxes that will be payable in those years. The Treasury conceded that this would leave between 10 and 20 per cent of our taxpayers still owing the government for taxes on their last year's income. This group of 10 to 20 per cent includes practically all of the country's technical, administrative, and professional workers, men and women vital to the creative and dynamic evolution of our country who need freedom from income-tax-debt danger as much as anyone else.

Treasury's Objections

I am invariably asked what the Treasury's objections are to the plan. In order to answer this question, I have analyzed the sources known to me of official Treasury pronouncement on the plan. These consist of the following:

(1) Statement to the press by Randolph Paul, August 19, 1942, as reported in the *New York Times*.
(2) Press release of August 24, 1942, from the Treasury.
(3) Radio speech by Randolph Paul on August 31, 1942, over the Mutual Network.
(4) Speech by Randolph Paul to the National Lawyers' Guild, September 26, 1942.
(5) Letter by Randolph Paul in reply to Louis Bromfield in the *Washington Post* of December 17, 1942.

On analyzing these several statements, there appear to be four principal points of difference.

(1) The Treasury raises the point of administrative difficulties. Here the objection is so weak that the following statement is used. "In effect, the Ruml plan requires two returns and two sets of computations to determine one year's tax." Yes, *in effect,* that is true, but *in fact* it is all done at the same time and on the same return.

(2) The Treasury suggests the possible danger of inflation. This objection falls into two parts: first, people who have saved for taxes may spend their savings and, second, people would not have the repressive influence on their spending of a large impending tax liability. This argument has been presented strongly only in the December letter to Mr. Bromfield. As I have said earlier, the few who have accrued their taxes are not spendthrifts, and second, the burden of current tax payments under the Pay-As-You-Go plan will be as great, or greater than, payments against the debt on last year's income under our present practice. In a later sentence, Mr. Paul states, "as desirable as collection at the source is, it is unnecessary to adopt it at the cost of forgiving a year's tax liability." This sentence seems to imply that there is thought of collecting two years' taxes in one year, in whole or in part for some or all income-tax payers. This is exactly what we want to avoid. Congress fixes the income-tax rates according to its judgment as to what is proper at the time. These rates are fixed openly, and no carry-over of debt liability should be permitted to carry us beyond the decision of Congress as to the assessment to be imposed currently on the income-tax payers. If, in the opinion of some, the burden should be greater, the evidence can be presented to Congress and

it will make an explicit determination of its own for the country.

(3) The Division of Tax Research of the Treasury has persistently insisted that the Pay-As-You-Go plan be linked with collection at the source. I have from the beginning favored collection at the source and have said so. I think collection at the source improves the Pay-As-You-Go plan. But collection at the source is not indispensable for Pay-As-You-Go. Accordingly, if collection at the source proves impractical or inacceptable there is no reason for not having the benefits of the Pay-As-You-Go plan anyway. I became particularly apprehensive about linking Pay-As-You-Go too closely with a withholding tax after an incident before Senator Clark's subcommittee on the withholding tax which Senator Clark described in the *New York Times* of August 20, 1942. On the same day that the Division of Tax Research was advocating collection at the source, the Collector of Internal Revenue, another department of the Treasury, "raised a number of objections" to it. Under the circumstances, it seemed to me that I had gone far enough in expressing favor for the withholding tax without tying up the Pay-As-You-Go plan in a controversy that was in no way crucial as far as the Pay-As-You-Go plan was concerned. I gladly support the recommendation for collection at the source, but not at the risk of the Pay-As-You-Go plan itself. As a matter of fact, I doubt whether we can have a withholding tax at the needed high rates without first adopting the Pay-As-You-Go plan.

Other Criticisms

(4) The last objection of the Treasury centers around the question of giving equal treatment to all taxpayers. I have made the suggestions which you have read for eliminating "windfall" cases, but these seem not to satisfy the Treasury Department since they do not and are not intended to affect the higher brackets that are not "windfall" cases. It has been my feeling that, except for "windfalls," all citizens should be treated alike and the tax year should be skipped for all.

I feel that the Treasury misjudges the political tides because it is too close to the waves. I believe that the country is tired of indirection in the attempt to achieve a levelling beyond the explicit acts of Congress. Equal treatment for all by turning the tax clock ahead for all alike has been a point of principle that I have felt worth while defending.

But this point of principle is one that Congress properly will decide. If the principle is not so important, or if I have wrongly construed it, then I must point out frankly that it is entirely practical to draw up a Pay-As-You-Go plan that would leave a residue of debt remaining to be paid by taxpayers in the higher brackets. Several proposals of this sort have been suggested, but none of them, as they stand, is satisfactory because the residue of debt remaining is not sufficiently closely related to ability to pay. But a plan could be drawn up that would leave a residue of debt payable and at the same time relate this debt sharply to the taxpayer's ability to pay.

One criticism of the plan that has been made by some, but not to my knowledge by the Treasury, stems from a feeling that somehow it is wrong to cancel a debt. These critics would like to get on a pay-as-you-go basis in 1943, but retain the tax liability for 1942 as well, although they recognize that it must be deferred or spread over many years. The effect of all such proposals is to complicate the problem, to leave a disagreeable debt overhanging millions of taxpayers—a debt that would be a perpetual football of politics—and to increase beyond the will of Congress, as expressed in legislated income-tax rates, the burden of payments to the federal government assessed on the individual taxpayer.

The feeling that it is somehow wrong to cancel a debt runs very deep and it is respected in quarters where the feeling itself is not shared. It is not easy to find the reason. Certainly it is a common practice, as evidenced by the experience of banks and other commercial institutions, to reorganize debtor-creditor relations without prejudice, upon the initiative of either party, whenever it becomes necessary in furthering the best continuing interests of both. Removal of debt liabilities in this way is considered a means of preserving the integrity of the relationship and a recognition of joint interest in a future welfare. It avoids the deceit and bitterness characteristic of evasion and default.

Certainly the cancelling of debt in order to further the welfare of all concerned has had the high approval of age-old moral authorities. An interesting contemporary comment has been made on the plan itself. A writer in the Information Service of the Federal Council of Churches, after describing the Pay-As-You-Go plan, goes on to say, "At the meetings of various interdenominational organizations held at Cleveland in December, a member of this Department's staff informally interviewed a number of church officials and found those consulted uniformly in favor of the plan."

There is also a special reason why the liabilities which have arisen under our income tax procedure may properly be set aside as I have suggested. These liabilities are not debts such as those which arise in the exchange of money, property, or services between private individuals. They cannot be removed by bankruptcy proceedings. On the contrary, they are the result of a unilaterally imposed levy by a legislative body under a traditional practice of assessment recognized by all to be defective. This practice was in fact so defective that in 1942 not only was the income-tax debt itself so imposed, but the amount of the debt was not established until October 21, 1942, nearly ten months after the taxable year began.

A Helping Hand to Taxpayers

There would therefore appear to be neither practical nor ethical grounds of a general character for not cancelling the old income-tax liability if that seems the best way of solving our problem. Moreover, in view of the defect and delay in our income-tax law there is sound and just reason why the correction should now be made. At this time when citizens will bear more tax burden than ever before, and when the expectation of additional burdens is in the minds of all, Congress may well extend a friendly and a helping hand to the nation's taxpayers. Congress may well remove the distress of income-tax debt from the unfortunate whose incomes fail, and the fear of income-tax debt from the rest of us.

Broadly speaking, what will the plan accomplish?

The Pay-As-You-Go income tax plan is a three-way plan.

First of all, it is a plan that will relieve thousands of citizens from hardship and distress arising from income-tax debt, and that will bring peace of mind to millions more who are in income-tax-debt danger.

Second, it is a method for clearing the decks for an all-out war-financing program. If we can all be free of income-tax debt on the first of the year, we can start on a pay-as-you-go basis and stay there. If we need high withholding taxes we can have them; if we need to supplement voluntary savings with compulsory savings, we can do that too. But whatever is called for, it would be paid out of the current year's income as an assessment on the same year's income. We would not be paying for dead horses while we are fighting a war.

In the third place, the Pay-As-You-Go income-tax plan is the best kind of financial planning for the post-war period. Our policies can then be forward looking, not backward looking. We will not be trying to collect income taxes from people who are unemployed; we will not be debating whether we should collect taxes on 1941 incomes from men demobilized from the armed forces. We will not have a spending spree in the first little boomlet, financed on unpaid taxes, and then a tax-debt headache if incomes should drop off for a year or so.

The chances of getting the new year 1943 on a pay-as-you-go basis seem to me to be distinctly good. I feel that a Pay-As-You-Go plan in a form acceptable to Congress will certainly be adopted, because income-tax payers want to pay their taxes on a current basis, they want to be free of income-tax debt and they know it can be done without hurting the Treasury and without paying two years' taxes in one. The taxpayers know that Pay-As-You-Go solves the problem simply and fairly by skipping an income-tax year. They know the whole trouble was caused by a basic defect in our income-tax law which has existed from the beginning, that of paying a tax on *last year's* income out of *this year's* receipts. This defect was not their fault and they know it. They want it corrected and they want to be on a pay-as-you-go basis in 1943.

Early Action Necessary For a Very Vital Problem

Enough time has elapsed since the plan went to the Treasury and since it was made public before the Senate Finance Committee to permit the development of criticism, suggestions, and modifications of the plan. The critics have not been negligent and I feel sure that the objections which have been raised are the result of painstaking examination. At the same time, the lack of force in the objections which have been made to the plan has been apparent to press and public alike and has been the subject of nation-wide comment.

It seems to me that we are rapidly approaching the time when the Pay-As-You-Go plan will be in the realm of legislative action. The needed decisions and compromises are the appropriate responsibility of Congress. The evidence is in. Let us have earnest consideration and early action.

As a nation of individuals we will be better able to meet the present and to attack whatever the future has in store for us if we are paid up in our income tax and, being out of income-tax debt, we can pay-as-we-go out of what we earn.

Meetings — NEWS ITEMS — Personal and
ELECTIONS — OTHERWISE

Nationwide Credit Letter Contest

The closing date for accepting letters for the nationwide credit letter contest has been extended to March 15. Send your letters to the National Office *today*.

District Six Conference Postponed

The annual conference of District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Province of Manitoba, Canada) scheduled for February 7, 8, 9, 1943, has been postponed.

Credit Bureau Consolidation in Philadelphia

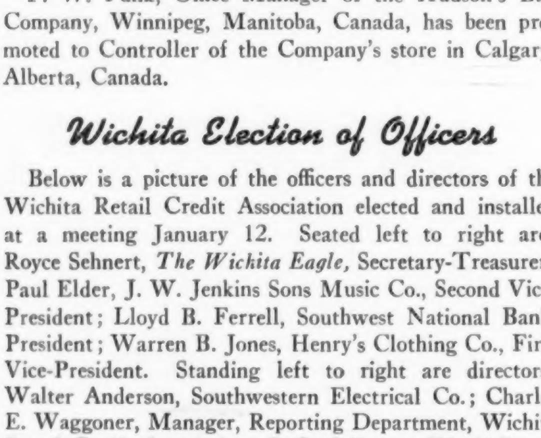
The Credit Bureau of Greater Philadelphia, Inc., organized by the Philadelphia Merchants Association about a year ago, has taken over the Philadelphia Credit Bureau, operated during recent years by the Chamber of Commerce.

F. W. Funk Promoted

F. W. Funk, Office Manager of the Hudson's Bay Company, Winnipeg, Manitoba, Canada, has been promoted to Controller of the Company's store in Calgary, Alberta, Canada.

Wichita Election of Officers

Below is a picture of the officers and directors of the Wichita Retail Credit Association elected and installed at a meeting January 12. Seated left to right are: Royce Sehnert, *The Wichita Eagle,* Secretary-Treasurer; Paul Elder, J. W. Jenkins Sons Music Co., Second Vice-President; Lloyd B. Ferrell, Southwest National Bank, President; Warren B. Jones, Henry's Clothing Co., First Vice-President. Standing left to right are directors: Walter Anderson, Southwestern Electrical Co.; Charles E. Waggoner, Manager, Reporting Department, Wichita Retail Credit Association; J. C. Calloway, Woolf Bros.; George E. Mohrbacher, Manager of the Collection Department, Wichita Retail Credit Association; Melvin E. Clark, Geo. Innes Co.; G. Wayne Pendergast, Charles P. Mueller Floral Co.; and Dr. G. E. Tilton.



New Credit Manager at Saks-34th Street

F. Bennett Cody is now Credit Manager of Saks-34th Street, New York City. He succeeds Milton K. Baker, now in the Army. Before joining Saks, Mr. Cody was associated with the J. N. Adam Co., Buffalo, for five years.

A. E. (Gus) Boehm

A. E. (Gus) Boehm, Credit Manager, Geo. P. Peck Dry Goods Co., Kansas City, and President of The Retail Credit Association, Kansas City, died at his home in that city, January 5.

1943 Convention Cancelled

There will not be a National Convention this year. The 31st Annual Conference and Credit Sales Forum of the National Retail Credit Association scheduled for June 21 to 24 at Milwaukee, has been cancelled by the Executive Committee of the Association.

The Committee took this action at its meeting in St. Louis on January 18 because of its desire to cooperate with the Office of Defense Transportation in its efforts to conserve transportation facilities for essential wartime requirements.

Early in January, L. S. Crowder, General Manager-Treasurer, wrote Joseph B. Eastman, Director, Office of Defense Transportation, about the convention plans and, at the same time, pledged the full support of the Association to the government in its war effort.

His letter was answered on behalf of Mr. Eastman by H. F. McCarthy, Director, Division of Traffic Movement, who said,

> In order to conserve transportation for essential military and business requirements, we must urge a curtailment in civilian travel wherever this can be accomplished. Each group must weigh their meetings in the light of the war effort, and it is suggested that meetings be held only where the war effort is direct and intimate. Many groups have already decided to cancel their 1943 meetings, and I assure you that it will be helpful in our wartime transportation job if your Executive Committee could elect to do likewise.

As a result of the convention's cancellation, wartime credit problems and postwar plans will now be dealt with in future issues of The CREDIT WORLD.

Please

Please inform the National Office of the names and forwarding addresses of our members who have joined the armed forces. We want to list their names in The CREDIT WORLD and send them a complimentary copy of each issue.

Recent Elections

St. Louis, Missouri

The Associated Retail Credit Men of St. Louis elected the following officers and directors for the coming year, at their annual meeting December 28: President, Ray Bulte, Stix, Baer & Fuller; Vice-President, Claude McCarthy, S. G. Adams Co.; Treasurer, Tuscan Boaz, Boyd's; and Secretary, A. J. Kruse, Associated Retail Credit Bureau. Directors: Joseph Holtzman, Kline's Inc.; Saul S. Zeve, Union-May-Stern Co.; Miss Mary Mazzoni, Kline's; and Roy M. Manker, Garland's. Other directors reelected were: M. M. Carouthers, Southwest Bank; H. R. Zollinger, Zollinger Upholstery Co.; Charles Reno, Scruggs-Vandervoort & Barney; Robert Kerr, First National Bank; Wm. Preusser, Famous-Barr; Ed Fey, City Ice & Fuel Co.; Art Nelson, Socony-Vacuum Oil Co.; J. H. Custer, Lammert's; I. Davis, Lane Bryant Co.; Walter Cassmeyer, Merchants Ice & Fuel; and E. F. Horner, Kline's.

Dallas, Texas

The Dallas Retail Credit Men's Association elected the following officers and directors at their annual meeting on November 24: President, W. C. Goodman, Reynolds-Penland; First Vice-President, James S. Fletcher, Tennessee Dairies; Second Vice-President, Warren Taliaferro, Dreyfuss & Son; Secretary, J. E. R. Chilton, Jr., Merchants Retail Credit Association; and Treasurer, M. R. Fortson, Texas Bank & Trust Co. Directors: Claud Walker, Titche-Goettinger Co.; Miss Kate Graham, Dr. W. W. Shortal Clinic; John F. Thompson, Sears, Roebuck & Co.; Arthur A. Hopkins, Clarke & Courts Office Supplies; L. G. Evans, Baylor University Hospital; and Ray N. Tyson, Fishburn Dry Cleaning Co.

Des Moines, Iowa

The following are the newly elected officers and directors of the Retail Credit Association of Des Moines, Inc., for the coming year: President, Fred A. Hockett, Cownie Furs; Vice-President, Charles B. Ritz, Davidson Co.; Treasurer, George D. Jorgensen, Iowa-Des Moines National Bank & Trust Co.; and Secretary, H. C. Bush. Directors: Fred A. Hockett, Norman Cassiday, Inc.; George D. Jorgensen; C. M. Kirtley, Des Moines Morris Plan Co.; Mrs. Vera Murphy, Office Equipment Co.; Charles B. Ritz; Miss Gladys Thompson, Norman Cassiday, Inc.; Milo Thornton, H. M. Iltis Lumber Co.; Jack Walther, The New Utica; and Floyd Wright, Century Lumber Co.

Lincoln, Nebraska

Following are the officers and directors of the Lincoln Retail Credit Men's Association for the ensuing year: President, W. W. Bauer, City Water & Light Dept.; Vice-President, Emerson Jones, Continental Oil Co.; and Secretary-Treasurer, J. P. Plith, Associated Service Co. Directors: Mrs. F. L. Wells, Cadwallader Fur Mfg. Co.; Henry Crane, First National Bank; L. H. Daft, Freadrich Bros.; Irene McNalley, Lincoln Oil Co.; and Rex Smith, Ben Simon & Sons.

BAROMETER of Retail BUSINESS

Sales and Collection Trends

December, 1942, vs. December, 1941

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT SALES decreased 6.1 per cent during December; total sales increased 24.9 per cent; and collections increased 14.5 per cent in the United States and Canada, as compared with December, 1941. *More money in circulation through greater employment in war industry activities is the chief reason for the increase in total sales and the substantial increase in collections. Credit sales continue to decrease for the eighth consecutive month.*

Highlights of the monthly analysis are shown in the tables below:

Highlights for December

35	**Cities reporting.**
10,739	**Retail stores represented.**

COLLECTIONS

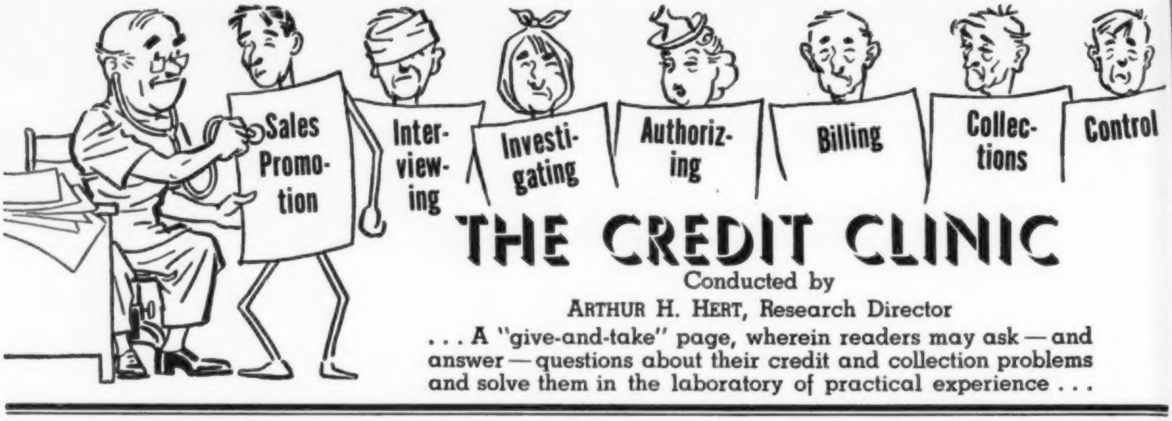
33	**Cities reported increases.**
14.5%	**Was the average increase for all cities.**
28.8%	**Was the greatest increase (Waco, Texas).**
2	**Cities reported no change.**

CREDIT SALES

29	**Cities reported decreases.**
6.1%	**Was the average decrease for all cities.**
40.0%	**Was the greatest decrease (Fort Smith, Ark.).**
6	**Cities reported increases.**
26.5%	**Was the greatest increase (Dayton, Ohio).**

TOTAL SALES

34	**Cities reported increases.**
24.9%	**Was the average increase for all cities.**
59.1%	**Was the greatest increase (Waco, Texas).**
1	**City reported no change (Bay City, Mich.).**



THE CREDIT CLINIC

Conducted by

ARTHUR H. HERT, Research Director

. . . A "give-and-take" page, wherein readers may ask — and answer — questions about their credit and collection problems and solve them in the laboratory of practical experience . . .

Are Slow Accounts Getting Slower?

(*Continued from January CREDIT WORLD*)

The Question

Due to high monthly payments today, accounts outstanding for sixty days have dropped to an unusual figure. However, many stores are reporting that the slow-pays still remain slow even to the extent of increased percentages. In other words, the good accounts pay two weeks sooner and the poor ones all turn into collection items.

Tell us about the condition of your charge accounts that are six months old and over. What are you doing about them?

The Answers

Boise, Idaho: We do not have more than 50 accounts, out of approximately 4,000 active accounts at the time Regulation W went into effect, which are over six months delinquent. Upon analyzing our accounts, we had approximately 600 that were in default on July 10, of which 200 were more than six months old. Our procedure in liquidating these accounts has been to utilize personally dictated letters, using about three letters per account at intervals of not more than two to three weeks apart. We have also used the 'phone which has proved very satisfactory. Our first letter, in most cases, has brought in the money; and after we have written our third letter, and have had no response, we immediately take action by placing accounts with our collection agency, or forcing collection through the courts. We are very happy with the operations of our accounts since the regulation has been put into effect.

★ ★ ★

Cleveland, Ohio: Since the enactment of Regulation W, our accounts are being more closely observed than in the past for the reason that our clientele is of the better type and are very resentful of reminders. However, it has been helpful to us in reducing our accounts receivable to practically 30 to 90 day accounts. The latter, of course, are governed by our budget plan. When accounts become delinquent at six months, they have already received several reminders, together with monthly statements. At this period, a letter of explanation is rendered, advising the customers that their unpaid accounts are seriously jeopardizing their credit standing, also that frozen accounts may be a handicap to new accounts elsewhere, or when reopening inactive accounts at other stores, as our stores clear through the local credit bureau for up-to-date credit information. When no response is received, we then turn the accounts over to our outside collector who calls on them in an effort to secure payment. If no remittances are received or satisfactory arrangements made to adjust the accounts within the next 30 days, we mail from our office a United States Fidelity and Guaranty form, which has been very successful in reducing these accounts. The few remaining unpaid accounts are handled individually, so that the method of collection is based entirely upon the type of account, the individual's employment and responsibilities. When these accounts are 10 months past due, a final notice is sent before placing them with our legal representative, which procedure is pursued immediately. After the close of our fiscal year, all unpaid accounts exceeding one year are charged to suspense.

★ ★ ★

El Paso, Texas: We have segregated all of our items which are six months old and older into a Suspense book and our entire outstandings at this time are less than 8.0 per cent of our normal outstandings. Therefore, in answer to your question, we do not believe that we are being faced with an emergency or any condition that is unusual.

★ ★ ★

Joliet, Ill.: The following percentages are taken from our total accounts in default on November 1:

Jan. & Prior	Feb.	Mar.	Apr.	May	June	July	August
46.4%	6.4%	6.5%	8.9%	8.0%	8.7%	6.4%	8.7%

Those accounts which are in default only a short time receive our regular form notice, but where the default

continues we are becoming more strict and redoubling our collection effort. In many cases customers pay no attention to our notices until such time as we notify them that the account will be placed for collection.

★ ★ ★

Los Angeles, Calif.: Our slow-pay accounts are rapidly diminishing in number, therefore we have not had the experience of slow accounts being slower or becoming collection items.

★ ★ ★

Minneapolis, Minn.: Seven and $^{75}/_{100}$ per cent of our total outstanding accounts are six months old or older. We are giving them the natural collection treatment we have done heretofore.

★ ★ ★

Nashville, Tenn.: Regulation W has not had any bearing on the chronic slow paying customer. We still have the same collection problem with this type of account. We have not changed our collection efforts but are continuing collection follow-ups on all delinquent accounts just as we have in the past.

★ ★ ★

New Orleans, La.: In analyzing our accounts receivable for the month of November, we find that 12.5 per cent represented balances six months old and over. In breaking down this classification further, we find that 31.0 per cent of these accounts were for men who have been called to military service while 14.0 per cent have moved and we have been unable to locate them. Since July 10, we start our collection efforts earlier than we formerly did. Between the 12th and 15th of each month, we send a notice to all defaulted accounts. This is followed by another statement with a sticker about two weeks later. If no response is received by the 15th of the next month, we suggest a method of refinancing the account. If this is not done within two to three weeks, we send another letter notifying the customer that the account will be sent to a collection agency unless arrangements are made for payment. If this does not produce the desired effect within 10 days to two weeks, we then turn the account over to a collection agency. This is our regular procedure. It varies, of course, with the customer reaction. Unless there is some good reason for carrying an account longer, it is placed with a collection agency when it is six months old.

★ ★ ★

Oakland, Calif.: Our outstandings for accounts that are delinquent six months or older has increased recently due to the fact that we were not selective enough with the defense workers who have been coming in through our district for the past eighteen months. We also find a number of collection problems with vaguely inflated balances. This condition will inevitably be reflected in a higher write-off figure at the end of our fiscal year.

★ ★ ★

Omaha, Neb.: There has been very little change in the paying records of accounts six months old or older, that is since Regulation W went into effect.

★ ★ ★

Phoenix, Ariz.: For the amount of credit business we do, we have a minimum number of accounts that are six months old or over. In most cases, they are either people we have lost track of completely or people who have had to reduce payments because of a change in circumstances and consequently have taken longer than ordinary to pay their accounts. This happens, of course, on budget accounts and occasionally we have opened accounts that have to be paid off in small amounts because of such a change. We believe that of the accounts six months old or over and those we can contact, the majority are paying off more rapidly now than in previous months. We have fewer of the so-called steady people falling into this class than before, but we have many people leaving town with no way to contact them. There will be more of this with conditions being what they are. The majority of our nonpaying people are those who stay just long enough to obtain credit and then, because of employment or housing conditions, move and leave no address. On the whole, we feel that our slow pays are improving, but with the increase in business, deadbeats are increasing also.

★ ★ ★

Pittsburgh, Pa.: Thirty- and sixty-day accounts are paying within Regulation W time, in fact they have been a little prompter. The ninety-to-one-hundred-and-twenty-day accounts are getting slower and require more collection effort. "Skip" accounts, where mail is being returned for one reason or another, are increasing in percentage. This seems to be characteristic throughout the city, as our local Credit Association had a meeting in September for a discussion of this subject.

★ ★ ★

Salt Lake City, Utah: Our collection percentage has increased approximately 20 per cent and now averages about 80 per cent. Our total charge volume has decreased; however, this is due to the increased collections mentioned above and not to decreased sales. Charge sales have actually increased a little. Our past due accounts that are 60 days old and over have decreased in dollars and cents but not in percentage to volume. Our collection problem is not with our accounts that are six months old because we very seldom let an account get older than six months. Our collection problem at the moment is the moving about of our customers and the apparent disregard for their accounts once they are outside the boundaries of our city.

The Present-Day PROBLEMS *of* SMALL RETAILERS

Fred G. Emry

President, Emry's, Spokane, Washington

THE RETAILERS OF TODAY are confronted with many problems. The retailers of tomorrow will be the men and women who have solved these problems.

The present world war has presented problems to the retailer that are different in every way than at any other time in the history of the world. It is said that history repeats itself, but surely many of the problems of the present day have a different aspect than at any other time. After December 7, 1941, there was the confusion of the United States entering the war, the calling of men to service, equipment of our forces, and the financing of the war. The retailer was pushed into the background, and rightly so. Everything must be done to win the war. Six to nine months ago it did not seem possible that retailers could survive. We had the example of England before our eyes. The English government adopted a policy of an all out war effort that was so severe it did not look as if any retailer in England could survive.

To prevent the complete ruination of all retailers there were combinations of the same lines of businesses, the conscription of stocks, and the curtailment of credit. The result was the failure of many small businesses.

England's Mistake

In the spring and summer of 1942, England realized that they had made a mistake; that there was a definite place in the economic life for the small retailer; that this same small merchant was necessary for an English economy. And, today, we see the comeback of thousands of small retailers. England needed these small merchants; she needed their taxes, their methods of doing business, and their distribution of civilian needs.

It looked for a time as if the United States was going to follow the same methods as England. This was in the spring and summer of 1942. But our government did not realize the capacity and the ingenuity of the small retailer to adjust himself to the all out war effort. Today, the small retailer is definitely in the picture, he is a part of the economic life of this United States. This brings us to our subject, "The Problems of Retailers of the Present War," known as the greatest of all world wars.

The management of any store (referring to the small retailer) must assume responsibilities and problems greater than ever before. By management I mean not only the owner but anyone connected with the organization who has supervisory or executive functions, such as credit managers, etc.

Let us consider how each of us can help the operation of business. There are terrific problems facing management today. The credit department must understand the problems of the management as a whole, and contribute to their solution. The credit department is not an isolated department; each of us plays an important part in meeting the financial and other problems of the business. By a just and fair credit policy you can add to the volume or strive to keep the volume up.

First, I am going to assume that you and I must go all out to win this war. That is first and above all. And to accomplish this all out war effort we must assist in:

The problem of financing
The personnel problem
The problem of merchandising
The government problem.

Working capital in a store is all important. Without sufficient working capital the whole store stops functioning or is handicapped. By the addition of other lines our inventories are built up to the heaviest possible point so that the store can operate. There is no doubt that we are facing a time of controlled inventories. When, I am not sure, but I would say at least by spring 1943. The merchant of today is farsighted. He must build up his inventory in order to keep up his volume. To build up his volume he must take a shorter markup. He can take a shorter markup only by: (1) reducing his overhead; and (2) elimination of his own profit.

How can we as credit managers help in the financing of our business? We must follow closely the credit regulations of the government, and insist that these regulations be met. Next we must work closely with our credit bureaus, using them to the limit, so that we will have good accounts that will pay according to the new terms. You will then release funds for the operation of the business. Instead of having a large sum of money invested in accounts receivable these funds will be released for the addition of new lines. By following accounts closely, instead of having a turnover of three times a year you will get five, six or even more turnover of accounts. You will operate your department on much less capital. Then the overhead of the department must be cut. Eliminate expensive collection systems and practice frugal economy generally in the operation of the credit department.

The government restriction of credits, if not carried to the extreme, will prove beneficial to the financial structure of the store, as well as lessen the credit risks that will later prove dangerous. We all know that during prosperous times we let down the bars of credit and when pay days of hard times come those same accounts are very hard to collect.

Some years ago I operated a chain of small clothing stores in Colorado. The lush times of 1905 and 1906 came along and we were very liberal in regard to credit. Then in 1907 there was a money stringency and those accounts were hard to collect. We had to resort to drastic means for collecting accounts. Here is a letter that is among my prize collection of letters:

> October 4, 1908,
> Hotchkiss, Colorado,
> Delta Co.
>
> Mr. Emry Sir i sent you your money some six weeks ago and a few day ago i got a notice from your atty stating he was going to sue now i sent your money and you got it now sue and be d m d i have got nothing but a sick wife and two little boys and you dont want them you could not get them if you did thank god yours truly.

I am sure we do not want the conditions again that made this letter possible.

We are now to our second phase, personnel problems. In our store we have lost ten men to the armed forces and we will lose many more. Here is how we are meeting this problem: (1) by hiring, part time, boys and girls from our High Schools; (2) by using ladies wherever we can in the operation of a men's store; and (3) by doing just a little more work ourselves. We know by using extra people we cannot give the type of service to which our trade is accustomed. But people are very tolerant and cooperative.

We know that in each turnover of personnel the chances of obtaining the same or better quality of help are getting slimmer and slimmer. We know we must streamline our store. How? By putting merchandise out where customers can see it and serve themselves. By doing a better job of store training, and holding weekly store meetings. In short, cutting out all red tape. Have department heads do some selling. It will do each one of us good to leave the credit department and go on the floor selling, for a few days or even one day. We will get a different viewpoint.

A short time ago one of our salesmen from the clothing department was very critical concerning our cashiering, and especially our credit department. He complained about the slowness of passing on credit. We finally asked him to work just one day as head of the credit department. (Incidentally, we sent the head of our credit department home for that day.) One day working in the credit department was enough for him. By evening he was hopelessly tangled up so that it took the credit manager two days to get going again. We had no more criticism from the selling force.

The chief problem of merchandising is obtaining sufficient stock to operate. Some stocks we cannot buy today, because the factories are devoted to the production of war goods. It is not a question of how much we can sell but how much we can get. The demand of civilian needs far exceeds the supply. If we are unable to get desirable goods in the lines we carry, then let us put in lines that we can get.

New departments. Price the new merchandise on the basis of quick selling. Promote these lines and I believe you will be surprised by the amount of money earned through increased turnover. I am personally sold on the ingenuity of American industry, in providing for us some kind of good merchandise to replace the goods we cannot buy today. I do not mean cheap unsalable merchandise. The death knell of business has been sounded for the store that has knuckled to the almighty dollar and sacrificed its standard of product for price alone. The OPA has contributed to the standardization of prices on quality merchandise. True the price ceilings have shortened our markup. The challenge has been made by our government to the retailers, that we must forget our usual markup and our usual profit. Let us meet that challenge.

We now arrive at the problems of government. We are perfectly willing to do our part in the war effort and most stores and personnel are doing their part, but not enough. Whatever is necessary for us to sacrifice, that we must be ready to do. First we should buy war bonds, at least ten per cent or more each month. I know of one small store buying a hundred dollar war bond each month. Think what that would mean for Spokane alone if every store in the city regardless of size would buy a hundred dollar war bond each month.

Cooperate with the government on credit restrictions so that inflation may be curtailed. Get people to carry their packages and you and they will cooperate with the O.D.T. The credit department of every store should take over the selling of war bonds each month to the store personnel (including store owners and stockholders).

By establishing new credit terms the government has pointed the way to greater public respect of credit terms. The death knell of old-fashioned methods of granting credit has been sounded. I read of a clerk, who went into bankruptcy with $1,400 worth of liabilities and no assets. Why should this man receive the protection of the bankruptcy court? We must eliminate the borax system of selling, whereby one goes into a store to buy an alarm clock and comes out with a bedroom all furnished, and no alarm clock. The only ache that will occur is when he goes to meet his easy installments on pay day.

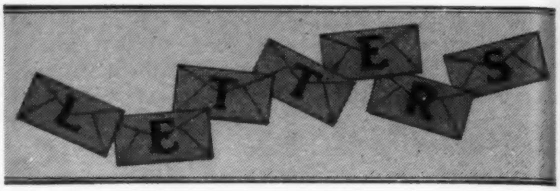
I know of a family where the husband's salary is $150.00 a month, the wife works and earns $125.00 a month. The mother-in-law remains at home and takes care of the two children. Combined, their salaries amount to $275, yet by easy installments they were actually paying $235 a month on radio, car, refrigerator, vacuum

cleaner and other household furniture, leaving $40.00 a month on which to live. The result, they have pooled their accounts with the local credit bureau and are gradually paying them. Make clear to your customer the terms of payment and insist that those terms be complied with. Are you willing to sell any and all bankrupts the day after they receive their discharge? (If you do, it is in violation of all business principles.)

It takes faith and nerve to operate a business, and vision, too; faith in ourselves; nerve to weather the storm of the scarcity of merchandise, government restrictions and slow collections; vision to know the opportunities that come to us by additions of other lines, cutting overhead and fast turnover of accounts.

We, as owners, must pay well for the executives of our credit departments. The day when we hired high priced men and women to sell our merchandise on long term credit is past. Look at the retailers today who we will say have a $50,000.00 stock of well selected merchandise. They will hire five to ten high priced men to sell that merchandise, paying at least $150.00 to $350.00 a month to these men, put $25,000.00 in accounts receivable and then hire a $15.00 a week girl to run the credit department, do all the collecting, insist that she grant liberal credit terms, and get all burned up if she does not turn the accounts at least four times a year, while your high priced salesmen turn their stocks two and one-half times. The large manufacturers in the East have their credit men and women take stock in the company and make them Treasurer of the firm. The credit department is just as important as the buying or selling departments. In fact, it is just a little more important.

I have tried to present some of the problems that are confronting us today in all lines of business. We must be up and doing. The government has thrown out the challenge to small businesses all over the United States and I believe that these retailers will meet the problems and lick them. There are more than 130 million people in the United States that are potential customers of retailers. More than forty-two million families are going to live, eat, wear clothing, furnish homes, buy coal, and are going to find ways and means and money with which to get all of these things and more.



"You have done an excellent job on your new booklet on the Soldiers' and Sailors' Civil Relief Act. It so happens that, although we issued a brief digest of the 1942 amendments to the act some weeks ago, we will also release to our membership an analysis of the entire act as amended."—Walter B. French, Deputy Manager, Consumer Credit Department, The American Bankers Association, New York, N. Y.

"The CREDIT WORLD has certainly been beneficial to me, and I cannot see how I ever did without it."—Mrs. Virginia Hearn, The Hub, Wichita Falls, Texas.

"Your article in the December CREDIT WORLD on the Soldiers' and Sailors' Civil Relief Act is the best one of a number of them that have come to my attention. Please let us reproduce it in one of our bulletins that goes to our dealer membership."—M. B. Cole, Secretary-Manager, Pittsburgh Automobile Dealers' Association, Pittsburgh, Pa.

"1942 has been a difficult year in the credit field and in handling the troubles and problems, you and your organization have done a most excellent job and I wish to take this opportunity to congratulate you."—Albert Haring, Professor of Marketing, Indiana University, Bloomington, Ind.

"I appreciate your sending us a copy of your booklet, 'The Soldiers' and Sailors' Civil Relief Act—Consolidation of 1940 and 1942 Statutes.' It is an excellent explanation and a fine contribution to the important task of making the provisions of this protective wartime measure better known. We plan to advise our member organizations of its availability at the price you list for nonmember purchasers and you will probably hear from some of them."—Emery A. Brownell, Secretary, National Association of Legal Aid Organizations, Rochester, N. Y.

"Even though our members never offer articles for the pages of The CREDIT WORLD, please remember we are just a small corner of the country. We do, however, read the articles regularly and have them discussed at our meetings."—J. D. Southworth, Secretary, Trail Merchants Association, Trail, B. C., Canada.

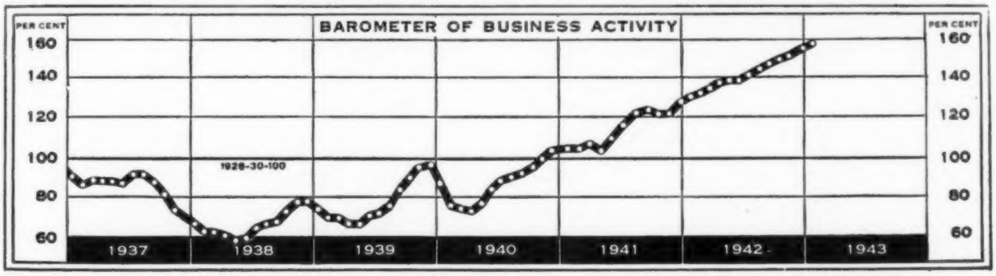
"Since your Association kindly made me a life recipient of your valuable publication, I have carefully scanned its pages for news about some of the old friends who had much to do with the early history of your Association. In your January issue, I saw the names of J. E. R. Chilton, Sr., of Dallas, Texas, and Max Meyer of Lincoln, Neb., who used to attend conventions of the National Association of Mercantile Agencies before the National Retail Credit Association came into being. I recall the first issue of The CREDIT WORLD then published by my old friends, O. R. Parker and S. L. Gilfillan of Minneapolis. I also remember the time when there was no national effort to organize or cooperate between credit agencies and credit men as you are now doing. All of my old associates have gone from the scene of action but that which they foresaw should be done is now being done by your splendid Association and by The CREDIT WORLD. If I believed in devils, I should say to you: 'May your days be long in the land which the Lord hath given us,' but of which the devil has made a terrible mess. All power to you all for many years to come."—William H. Burr, Wyoming Oil and Gas Co., Rochester, N. Y.; President, National Association of Mercantile Agencies, 1913.

"You would confer a favor by kindly presenting the Commission, for use in the Library, with a copy of the publication by J. Gordon Dakins, entitled 'The Soldiers' and Sailors' Civil Relief Act'."—W. P. Bartel, Secretary, Interstate Commerce Commission, Washington, D. C.

CURRENT BUSINESS CONDITIONS

The Barometer

With retail business at a peak in December and overall output of war materials moving at a rapid pace, the Barometer finished the year at a new all-time high.



This barometer appears in the February issue of "Nation's Business," published by the United States Chamber of Commerce.

The Map

The new year begins with trade and industrial activity at close to 15 per cent above even the high rate which prevailed at the beginning of 1942. For the fourth consecutive year the volume of production and trade has exceeded that of the preceding year.

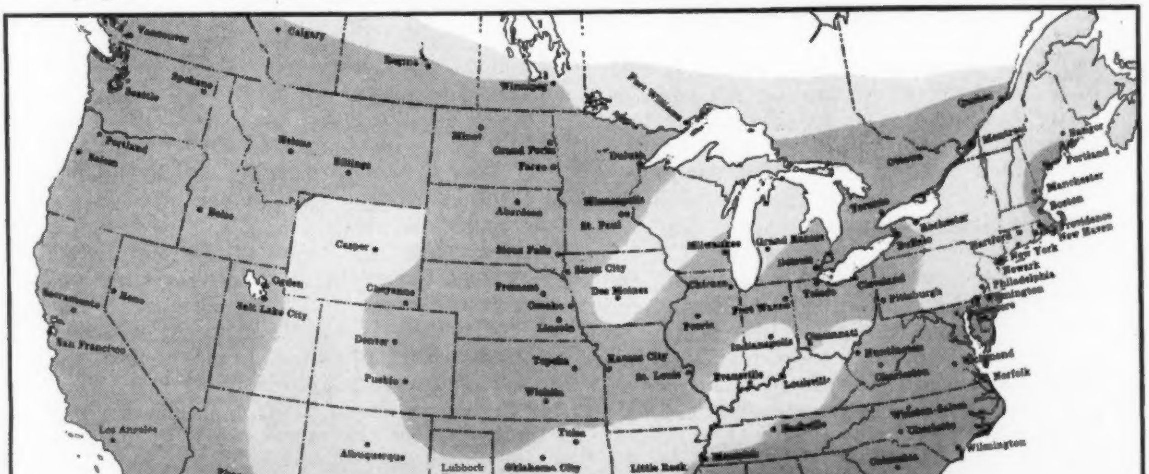
All parts of the country are sharing in the improved conditions and in every section both business and agricultural conditions are better than they were a year ago. In a few communities the trend is slowly downward due to restrictions on civilian production and to labor shortages.

The Map shows that the greatest gains during the past year have been made outside the major industrial regions. The explanation for this variation is that activity reached a high level much more quickly in those regions than in other parts of the country. Further expansion could be achieved only at a somewhat less rapid rate than during the early phases of the war program. In recent months those sections in which activity had previously been lagging have been forging ahead and are now making the best showing.

Business has been lagging throughout the Northeastern states, except in cities along the coast where the shipyards have been turning out large numbers of vessels and where the shipments of goods abroad have been unusually heavy. Military construction has also kept up employment along the coast farther south and around the Gulf of Mexico.

Around the Great Lakes, war production in a constantly increasing number of factories is responsible for keeping business activity high in nearly every community. Several cities in the Mountain states report considerably greater trade activity due to the speeding up of mining operations in order to furnish the metals that are needed to produce military supplies.

Business activity in Canada is following the same trend and is expanding at about the same rate as in the United States.



Turning the Tax Clock Ahead

★ BACK IN THE DAYS when personal income taxes were relatively low, it did not matter particularly that payment of a certain year's income taxes was made the following year. But now that taxes are heavy, it is desirable that personal income taxes be paid on a current basis. In fact, the higher the tax load is piled, the greater the need for a more rational method of collecting it.

★ The Pay-As-You-Go Income Tax Plan offers such a method. This plan, advanced by Beardsley Ruml (see page 4), would wipe out one year's tax liability and credit payments on the current year's income tax. It would forget about last year's taxes, due March 15, and apply 1943 collections on 1943 liabilities.

★ This unique proposal marks a step forward in fiscal policy. It will take citizens out of their perpetual bondage to Uncle Sam by making payments as earned, instead of a year later. By forgiving one year's taxes, it is a sort of daylight savings plan applied to Treasury policy. Yet, for all practical purposes, the Treasury would not seriously feel the loss for it would be spread over the lifetime of the present generation of taxpayers.

★ Under the present plan of paying income taxes the year following that in which earned, taxpayers are always in debt to the Treasury. The wage earner should reserve out of his income enough to pay the tax when due but a large majority make no such provision. Income taxes, for the most part, are paid not out of savings but out of current earnings.

★ It is because of the failure of the average citizen to save for taxes that any plan which would force a doubling up of collections by withholding a portion of the 1943 tax at the source while collecting the 1942 tax bill at the same time would be a prohibitive burden. Indeed, it is doubtful whether the Government could collect a large portion of such a double tax. It is more than probable that such a system would result in a general inability on the part of many people to meet their current obligations. Certainly the purchase of War Bonds would diminish, life insurance policies would be permitted to lapse, and real estate mortgages would go into default.

★ Ruml's proposal, however, seeks to avoid burdening the public with this load and at the same time to place collections of taxes on a current basis. Under his plan, the American people may pay current taxes out of current income without being obliged to shoulder the added load of payments on last year's income.

★ In fact, adoption of the Pay-As-You-Go Plan will not only be an important war measure but a lasting reform in our tax laws. With tax payments withheld at the source, as the employer now withholds Victory Tax payments, it would mean a simple, sure collection system that would be a boon to taxpayer and collector alike. It would insure collections, guaranteeing them in a regular flow, and it would make payment more convenient.

★ It is a method for clearing the decks for an all-out war financing program. It would mean that the Treasury would start collecting taxes on current income as that income is earned. It would result in the elimination of all the problems involved in collecting on money already spent, especially for those in the lower income brackets. It would be the greatest convenience yet extended to the American taxpayer.

★ Pay-As-You-Go has merit on other counts also. The new-rich would still be forced to pay on his newly inflated income. But while the new-poor would have an advantage now, the new-rich would get one later, since he would have paid taxes on his war-inflated earnings the year they were earned, and would not be forced to pay them in peacetime when he might be making less.

★ For all its startling simplicity, however, the ordinary taxpayer is not going to get a windfall if the Ruml Pay-As-You-Go Plan is adopted, for he will pay the same amount as now in most cases, but on the current year's liability instead of last year's. Still, there can be no doubt that a pay-as-you-go tax law is a commonsense approach to our vast war tax collections. *It should be seriously considered because it seems sure that the adoption of some pay-as-you-go system is the only alternative to confusion, hardship, and perhaps a serious breakdown in the collection of the income tax.*

L. S. Crowder